Indira Gandhi National Open University
School of Management Studies

MMPC 002
HUMAN RESOURCE MANAGEMENT

School of Management Studies

MMPC-002
HUMAN RESOURCE MANAGEMENT

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COURSE DESIGN AND PREPARATION TEAM

Prof. K Ravi Sankar
Director,
School of Management Studies,
IGNOU, New Delhi

Prof Sanjeev Mital
Vice Chancellor,
Sambalpur University, Odisha

Prof. Shalini Garg
School of Management Studies,
IP University, New Delhi

Prof Sumita Misra
Kalinga School of Management Studies,
KIIT University, Bhubaneswar,

Prof G Subbayamma
School of Management Studies,
IGNOU, New Delhi

Prof. Neeti Agrawal
School of Management Studies,
IGNOU, New Delhi

Prof. Kamal Vagrecha
School of Management Studies,
IGNOU, New Delhi

Dr Anjali Ramteke
School of Management Studies,
IGNOU, New Delhi

Sh. T V Vijay Kumar
School of Management Studies,
IGNOU, New Delhi

Dr. Leena Singh
School of Management Studies,
IGNOU, New Delhi

Prof. Udai Pareek
Indian Institute of Health Management and Research, Jaipur

Prof. Gopa Bhardwaj
Delhi University, Delhi

Prof. B.D. Singh
MDI, Gurgaon

Prof. C.S. Venkataratnam
IMT, Ghaziabad

Prof. A.M. Sarma
Management Consultant, Mumbai

Prof. Mirza S. Saiyadain
Fortune Institute of International Business, New Delhi

Dr. B Ratan Reddy
IPE, Hyderabad

Prof. B B Khanna
School of Management Studies,
IGNOU, New Delhi

Prof. Srilatha
School of Management Studies,
IGNOU, New Delhi

Prof. P Jyothi **(Course Editor)**
Dean ,
School of Management Studies,
University of Hyderabad, Hyderabad

Prof. Nayantara Padhi **(Course Coordinator)**
School of Management Studies,
IGNOU, New Delhi

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MATERIAL PRODUCTION

Mr. Y.N. Sharma
Assistant Registrar
MPDD, IGNOU, New Delhi

Mr. Tilak Raj
Assistant Registrar
MPDD, IGNOU, New Delhi

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MMPC 002: HUMAN RESOURCE MANAGEMENT

Human Resource Management (HRM) is a management function that focuses on staffing, developing, maintaining, and retaining the organization's most precious resource: its people. HRM is concerned with the organization's plans and goals, which can be met by making the best use of human resources. This course lays the groundwork for understanding HR operations and honing your approach to effectively managing human resources.

This course is divided into four blocks, each with three to four units. The following is the course outline:

Block 1: Introduction to Human Resource Management

Unit 1: Concept and Evolution of HRM

Unit2: Functions of HRM

Unit 3: Environment and HRM

Block 2: Sourcing of Human Resources

Unit4: Human Resource Planning

Unit 5: Job Analysis, Design and Evaluation

Unit6: Recruitment and Selection

Unit 7: Socialisation and Mobility

Block 3: Performance and Compensation Management

Unit 8: Performance Appraisal

Unit 9: Career Development

Unit 10: Training and Development

Unit 11: Compensation and Rewards Management

Block 4: Employer –Employee Relations

Unit 12: Employee Empowerment

Unit13: Grievance Handling and Discipline Management Procedures

Unit 14: Unions and Associations

After completion of this course you will learn:

- Concept, evolution and functions of HRM;
- Organisational environment and its impact on HRM;
- Functions of sourcing/staffing and induction;
- The need and methods of performance and compensation management;
- Processes of career development and training; and
- How to empower employees, handle grievances and deal with union.

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BLOCK 1
INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

BLOCK I INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

Understanding the concept, evolution, and functions of Human Resource Management (HRM) is essential for learning its application. The performance of an organisation is influenced by the business environment. As a result, new processes and functions emerge. The subject of organisational environment and its significance in HRM along with the concept and functions of HRM have been explored in this block. There are three units on this block.

Unit 1: Concept and Evolution of HRM

Unit 2: Functions of HRM

Unit 3: Environment and HRM

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UNIT 1 CONCEPT AND EVOLUTION OF HUMAN RESOURCE MANAGEMENT

Objectives

After completion of this unit you should be able to:

- Understand the meaning and concept of Human Resource Management (HRM);
- Trace the evolution of HRM;
- Understand the scope and objectives of HRM; and
- Explain various components of HRM;

Structure

1.1 Introduction

1.2 What is HRM?

1.3 Evolution of HRM

1.4 Objectives of HRM

1.5 Importance of HR

1.6 Scope of HRM

1.7 Nature of HRM

1.8 Components of HRM

1.9 Summary

1.10 Self Assessment Questions

1.11 Further readings and References

1.1 INTRODUCTION

"You must treat your employees with respect and dignity because in the most automated factory in the world, you need the power of human mind. That is what brings innovation. If you want high quality minds to work for you, then you must protect the respect and dignity."

Mr. N.R. Narayana Murthy, Founder, Infosys Ltd.

Among the five Ms of management, namely, men, money, machines, materials, and methods., HRM deals with the first M, Men are what we refer to as "human resources." Human resources are an organization's most valuable and unique asset. Human resource management is a dynamic and challenging task for any organisation, especially in the age of globalisation and rapid technological change. As a result, all managers must be aware of

the concept of HRM and its significance in the workplace. This being the first unit of the course on HRM, we shall cover the evolution and concept of HRM along with its objectives and scope. As a field of management functions, HRM has undergone many changes over the years giving it a strategic role in an organisation.

1.2 WHAT IS HRM?

HRM is the process of acquiring, developing, maintaining, and retaining human resources in an organisation with the strategic objective of achieving organisational goals. So, what is the significance of the term "human resource management"?

Human: This term refers to an organization's required workforce.

The term **Resource** refers to an organization's workforce supply**.**

Management refers to the most efficient use of resources in order to achieve organisational goals**.**

Many eminent management scientists have defined HRM in different ways. Some of the widely used definitions are provided in the Box 1.

Box 1: Definitions of HRM

A. **Edwin B. Flippo** - "Human resource management is planning, organizing, directing and controlling of the procurement, development, resources to the end that individual and societal objectives are accomplished".

B. **Decenzo and Robbins** - "HRM is a managerial process of acquiring and engaging the required workforce appropriate for the job and concerned with developing, maintenance and utilization of workforce".

C. **Desseler** -"the policies and practices involved in carrying out the 'people" or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising comprises of HRM".

D. **French Wendell** - "Human resource management is the recruitment, selection, development, utilization, compensation and motivation of human resources by the organisation".

E. **Storey** - "A distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques".

In essence, HRM is a strategic approach to acquire, motivate, develop and manage human resources of an organisation. For each of these functions there are policies which the HR Managers follow keeping in view the organizational culture.

Activity A: Go through different text books and web resources on HRM and collate definitions of HRM.

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1.3 EVOLUTION OF HRM

HRM has evolved from the Personnel Management (which was the earst-while management system to manage employees). Going back to the roots of evolution of personnel management the contributions of Psychologists and management experts such as Elton Mayo, F.W. Taylor and Robert Owen play a significant role.Elton Mayo was the founder of the human relations movement in the 1920s. In the famous Howthorne study, he measured the relationship between productivity and the work environment. He emphasized the influence of human relations on worker productivity. Similarly, Robert Owen is considered to be the creator and initiator of reforms introduced for workers. He introduced the principle of '8 hours work per day' . Owen recognised the importance of improving working conditions in the workplace and its impact on worker productivity and efficiency. Also worth mentioning is the contribution of Frederick W. Taylor. Taylor has developed a differentiated compensation system that rewards employees with higher performance levels , that are still used in the company. He promoted Scientific Management through fours principles:

1. Evaluate a task by dissecting its components;
2. Select employees that had appropriate skills for a task;
3. Provide workers with inventives and training to do a task; and
4. Use science to plan how workers perform their jobs.

Human Resources Approach: However, at some stage in early 60s the 'pet milk principle', (advocating that happy workers are productive workers or happy cows provide extra milk) of human relationists have been largely rejected. Recognising the truth that workers are unique in their personal way-having individual needs. Every employee is a unique and surprisingly individual wishes. It was considered that each worker is a completely unique and highly complex character with exceptional desires and values. What motivates one worker won't encourage any other and being satisfied or feeling appropriate may additionally have very little effect on the productiveness of positive personnel. Slowly however steadily, the trend closer to treating employees as resources or assets emerged.

The contribution of behavioural science to management practice consists primarily of producing new insights in place of new strategies. It has advanced and extended right into a useful way of thinking, about the position

of the supervisor, the nature of businesses and the behaviour of an individual inside an business enterprise.Let us look into these trends more closely by examing the transformation of personnel management to HRM from one stage to another by understanding its differences and stages of development.

Stages of Development of HRM

Modern concept of HRM has developed through the following stages (Gupta, 1997).

a) **The Commodity Concept:** Before industrial revolution, the guild system was the beginning of personnel management. Guild was a closely knit group concerned with selecting, training, rewarding and maintaining workers. Labour began to be considered a commodity to be bought and sold.

b) **The Factor of Production Concept:** Employees were considered a factor of production just like land, materials, machinery. Taylor's scientific management stressed proper selection and training of employees so as to maximise productivity.

c) **The Paternalistic Concept:** Employees organised together on the basis of their common interest and formed trade unions to improve. Also employers began to provide schemes to workers. Employers assured a fatherly and protective attitude towards their employees.

d) **The Humanitarian Concept:** It is based on the belief that employees had certain inalienable rights as human beings and it is the duty of the employer to protect. Rather social and psychological satisfaction was equally important. in human problems of work place. This is also known as Hawthorne Experiments of Douglas McGregor also generated considerable interest human relations concept.

e) **The Behavioural Human Resource Concept:** It aimed at analysing and understanding human behaviour in organisation. Motivation, group dynamics, organisational climate, organisational conflict etc. became popular under this concept. Employees began to be considered as valuable assets of an organisation. Efforts were made to integrate employee with the organisation so that organisational goals and employees aspirations could be achieved simultaneously. Focus shifted towards management practices like two way communication, management by objectives, role of informal groups, quality circles etc.

f) **The Emerging Concept:** Now employers are considered as partners in industry. They are given share in company's stock membership. Slowly and steadily, HRM is emerging as a discipline.

The table 1 summarises the differences between personnel management and HRM.

Table 1: Difference between Personnel Management & HRM

Aspect	Personnel Management	HRM
Approach	Short-term, Reactive, Adhoc	Long term, proactive integrated
Employee relations	Pluralist, collective, low trust	Unitarist, individualise high trust
Role	Specialist	Integrated
Structure	Bureaucratic, Centralised	Flexible, decentralized
Focus	Cost minimization	Maximum utilization

HRM essentially emphasizes and incorporates those expectations which are not being fulfilled through the traditional personnel management. However, few management scholars have opened HRM as "old bottle with a new label" (Armstrong, 2020). It integrates in a meaningful way the numerous subsystems like performance appraisal, career development, organizational development, rewards management, employee relations etc. In the subsequent units, we will be covering all these functions in detail.

Activity B: Differentiate between Personnel management and HRM in your own words by citing examples.

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HRM and its evolution in India

The history of HRM in India dates back to the early 1980s when Mr. Udai pareek and Mr. T.V. Rao championed the cause of the HRM movement. The early adopters of the HRM movement include public sector enterprises such as Bharat Heavy Electricals Limited (BHEL), State Bank of India, etc. Initially, Indian organizations used to have an industrial relations (IR) department, which was subsequently re-christened ad the personnel & IR department, with the welfare department as one of its sub-departments. The personnel department predominantly suited the blue-collar employees since their general awareness and educational levels were low and the approach was more of administrative nature. The growing importance of the service sector in the Indian economy has also highlighted the importance of change in approach by the personnel and administrative departments. The profile of an employee in the new scenario has the following features.

- Employees are mostly in their mid-twenties or early thirties.
- All employees are educated and their level of general awareness is high.
- Employees are more committed to the profession than to the organization.
- The rates of attrition and the level of mobility of employees among the organizations are high.

The organizations have to compete for scarce resources, the most important among them being the human resources, more so in the case of the service sector. This has called for the radical transformation of personnel and administrative departments into human resource departments to reflect the human facet of organizations. A glance at the structure of various Indian organizations indicates that the majority of the organizations have rechristened their personnel and administrative department as human resource development (HRD) departments. However, this transformation into the HRM mode is at various stages in different organizations. The progressive players and market leaders, especially in the IT and service sectors, have fully adopted this approach while other players are in the process of adoption.

The transformed HR department performs the following functions:

- Participating in the strategizing sessions of business policy
- Preparing the HR strategies in coordination with the corporate strategies
- Implementing the various HR policies and practices including HR planning, recruitment and induction, compensation structuring, career planning, competence mapping, performance management, etc.

Overall, the HR department has outgrown its mere functional role and has come to assume the responsibility of building the brand for all company to attract the best available talent in the market and also to retain the existing talent. This helps in reducing the recruitment cost and the replacement cost apart from reducing the attrition rates, which helps the organization to complete its projects in time. (Jyothi, P. and Venkatesh, D.N., 2006)

1.4 OBJECTIVES OF HRM

The primary objective of HRM is to make certain the provision of competent human resources in the business enterprise so that it will contribute in reaching organizational objectives.

According to Scott, Clothier and Spriegal, “The objectives of Human Resource Management, in an organisation, is to obtain maximum individual development, desirable working relationships between employers and employees and employees and employees, and to affect the moulding of human resources as contrasted with physical resources”.

Apart from this, there are other objectives too. Specifically, HRM objectives are four folds: societal, organisational, functional, and personal.

Societal Objectives

The societal objectives are socially and ethically responsible for the needs and challenges of society. While doing so, they have to minimize the negative impact of such demands upon the organisation. The failure of organisations to use their resources for society's benefit in ethical ways may lead to restrictions. For example, the society may limit human resource decisions to laws that enforce reservation in hiring and laws that address discrimination, safety or other such areas of societal concern.

Organisational Objectives

The organisational objectives recognise the role of human resource management in bringing about organisational effectiveness. Human resource management is not an end in itself; it is only a means to assist the organisation with its primary objectives. Simply stated the human resource department exists to serve the rest of the organisation.

Functional Objectives

Functional objectives try to maintain the department's contribution at a level appropriate to the organisation's needs. Human resources are to be adjusted to suit the organisation's demands. The department's level of service must be tailored to fit the organisation it serves.

Personal Objectives

Personal objectives assist employees in achieving their personal goals, at least insofar as these goals enhance the individual's contribution to the organisation. Personal objectives of employees must be met if they are to be maintained, retained and motivated. Otherwise, employee performance and satisfaction may decline giving rise to employee turnover.

Table 2: HRM Objectives and Functions

HRM Objectives	Supporting Functions
A. Societal Objectives	1. Legal compliance 2. Benefits 3. Union-management relations
B. Organisational Objectives	1. Human resource planning 2. Employee relations 3. Selection 4. Training and development 5. Appraisal 6. Placement 7. Assessment

C. Functional Objectives	1. Appraisal 2. Placement 3. Assessment
D. Personal Objectives	1. Training and development 2. Appraisal 3. Placement 4. Compensation 5. Assessment

Source: William B. Werther, Jr., and Keith Davis, Human Resources and Personnel Management, p. 15.

In order to achieve the above objectives, human resource management undertakes the following activities:

i) Human Resource Planning, i.e., determining the number and kinds of personnel required to fill various positions in the organisation.

ii) Recruitment, selection and placement of personnel, i.e., employment function.

iii) Training and development of employees for their efficient performance and growth.

iv) Appraisal of performance of employees and taking corrective steps such as transfer from one job to another.

v) Motivation of workforce by providing financial incentives and avenues of promotion.

vi) Remuneration of employees. The employees must be given sufficient wages and fringe benefits to achieve higher standard of living and to motivate them to show higher productivity.

vii) Social security and welfare of employees.

1.5 IMPORTANCE OF HRM

HRM is the central sub-system of an organisation (Figure 1).

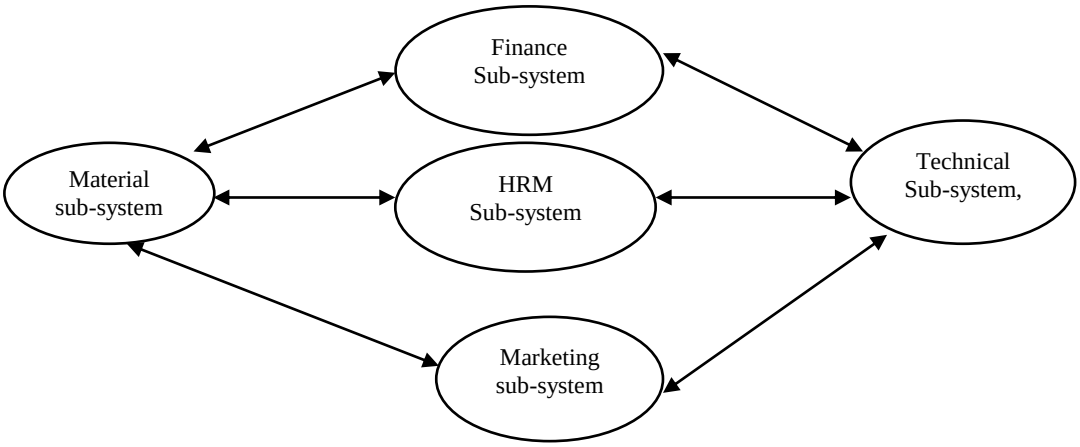

Figure 1: HRM as central subsystem in an organisation

Source: Gupta, 1997

As the central sub-system, HRM interacts closely and continuously with all other sub-systems of an organisation. The quality of people in all sub-systems depends largely upon the policies, programmes and practices of the HRM sub-system.

The quality of human resources determines in turn the success of an organisation.

The importance of HRM can be discussed at four levels – corporate, professional, social and national (Gupta, 1997).

Significance for a Corporate: Human resource management can help an enterprise in achieving its goals more efficiently and effectively in the following ways:

a) Attracting and retaining the required talent through effective human resource planning, recruitment, selection, placement, orientation, compensation and promotion policies.

b) Developing the necessary skills and right attitudes among the employees through training, development, performance appraisal, etc.

c) Securing willing co-operation of employees through motivation, participation, grievance handling, etc.

d) Utilising effectively the available human resources.

e) Ensuring that the enterprise will have in future a team of competent and dedicated employees.

1) **Professional Significance:** Effective management of human resources helps to improve the quality of work life. It permits team work among employees by providing a healthy, working environment. It contributes to professional growth in the following ways:

   a) Providing maximum opportunites for personal development of each employee.

   b) Maintaining healthy relationships between individuals and different work groups.

   c) Allocating work properly.

2) **Social Significance:** Sound human resource management has a great significance for the society. It helps to enhance the dignity of labour in the following ways:

   a) Providing suitable employment that provides social and psychological satisfaction to people.

   b) Maintaining a balance between the jobs available and the jobseekers in terms of numbers, qualifications, needs and aptitudes.

   c) Eliminating waste of human resources through conservation of physical and mental health.

3) **National Significance:** Human resources and their management plays a vital role in the development of a nation. The effective exploitation and utilisation of a nation's natural, physical and financial resources require an efficient and committed manpower. There are wide differences in development between countries with similar resources due to differences in the quality of their people. Countries are underdeveloped because their people are backward. The level of development in a country depends primarily on the skills, attitudes and values of its human resources. Effective management of human resources helps to speed up the process of economic growth which in turn leads to higher standards of living and fuller employment.

Activity C: Enlist the objectives of HRM in an organisation that you are familiar with.

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1.6 SCOPE OF HRM

According to Dale Yoder, the scope of human resource management is very wide.

It consists of the following functions:

i) Setting general and specific management policy for organisational relationships, and establishing and maintaining a suitable organisation for leadership and co-operation.

ii) Collective bargaining, contract negotiation, contract administration and grievance handling.

iii) Staffing the organisation, finding, getting and holding prescribed types and number of workers.

iv) Aiding in the self-development of employees at all levels providing opportunities for personal development and growth as well as for acquiring requisite skill and experience.

v) Developing and maintaining motivation for workers by providing incentives.

vi) Reviewing and auditing manpower management in the organisation.

vii) Industrial relations research—carrying out studies designed to explain employee behaviour and thereby effecting improvement in manpower management.

The Indian Institute of Personnel Management (IIPM) has described the scope of human resource management into the following aspects:

1) **The Labour or Personnel Aspect:** It is concerned with manpower planning, recruitment, selection, placement, induction, transfer, promotion, demotion, termination, training and development, layoff and retrenchment, wage and salary administration (remuneration), incentives, productivity, etc.

2) **The Welfare Aspect:** This aspect is concerned with working conditions and amenities such as canteens, creches, rest rooms, lunch rooms, housing, transport, education, medical help, health and safety, washing facilities, recreation and cultural facilities, etc.

3) **The Industrial Relations Aspect:** This is concerned with the company's relations with the employees. It includes union-management relations, joint consultation, negotiating, collective bargaining, grievance handling, disciplinary actions, settlement of industrial disputes, etc.

All the above aspects are concerned with human element in industry as distinct from the mechanical element.

1.7 NATURE OF HRM

Human Resource Management is a process of bringing people and organizations together so that the goals of each are met. It tries to secure the best from people by winning their wholehearted cooperation. In short, it may be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient manner. It has the following features:

1. **Pervasive force**: HRM is pervasive in nature. It is present in all enterprises. It permeates all levels of management in an organisation.
2. **Action-oriented**: HRM focuses attention on action, rather than on record-keeping, written procedures or rules. The problems of employees at work are solved through rational policies.
3. **Individually oriented**: It tries to help employees develop their potential fully. It encourages them to give their best to the organisation. It motivates employees through a systematic process of recruitment, selection, training and development coupled with fair wage policies.
4. **People-oriented**: HRM is all about people at work, both as individuals and groups. It tries to put people on assigned jobs in order to produce good results. The resultant gains are used to reward people and motivate them toward further improvements in productivity.
5. **Future-oriented**: Effective HRM helps an organisation meet its goals in the future by providing for competent and well-motivated employees.
6. **Development-oriented**: HRM intends to develop the full potential of employees. The reward structure is tuned to the needs of employees. Training is offered to sharpen and improve their skills. Employees are rotated on various jobs so that they gain experience and exposure. Every attempt is made to use their talents fully in the service of organisational goals.

7. **Integrating mechanism**: HRM tries to build and maintain cordial relations between people working at various levels in the organisation. In short, it tries to integrate human assets in the best possible manner in the service of an organisation.

8. **Comprehensive function**: HRM is, to some extent, concerned with any organisational decision which has an impact on the workforce or the potential workforce. The term 'workforce' signifies people working at various levels. Including workers, supervisors, middle and top managers. It is concerned with managing people at work. It covers all types of personnel. Personnel work may take different shapes and forms at each level in the organisational hierarchy but the basic objuective of achieving organisational effectiveness through effective and efficient utilization of human resources, remains the same.

9. **Auxiliary service**: HR department exist to assist and advise the line or operating managers to do their personnel work more effectively. HR manager is a specialist advisor. It is a staff function.

10. **Inter-disciplinary function**: HRM is a multi-disciplinary activity, utilizing knowledge and inputs drawn from psychology, sociology, anthropology, economics, etc. To unravel the mystery surrounding human brain, managers, need to understand and appreciate the contributions of all such 'soft' disciplines.

11. **Continuous function**: HRM is not a one shot deal. It cannot be practiced only one hour each day or one day a week. It requires a constant alertness and awareness of human relations and their importance in every day operations.

1.8 COMPONENTS OF HRM

Following are the major components of HRM (Sarma, 1998).

Human Resource Organisation: Human resource organisation is concerned with achieving success by organisation design and development, motivation, the application of effective leadership, and the process of getting across the message about what the enterprise is setting out to do and how it proposes to do it. The fundamental objective of human resource organisation is to ensure that every aspect of the organisation, employment, motivation, and management of people is integrated with the strategic objectives of the business and contribute to the successful achievement of those objectives. The human resource organisation programme has to take account of cultural issues so that the desired corporate culture can be developed or reinforced. Moreover, organisational development programmes and interventions are needed to achieve better integration, improve teamwork, motivate human resource, develop proper leadership, facilitate communication system, manage conflict and change, and obtain commitment.

Human Resource Planning: Human resource planning sets out to define how many people the organisation wants; the type of people the organisation needs at present and in the future, in terms of their expertise; and how they

"fit" the corporate culture. It involves the forecasting of both the supply and demand for future labour. It provides the base for recruitment programmes and for human resource development plans.

Human Resource Systems: Human resource systems are the essential programmes needed to recruit, appraise, pay and look after the health, safety and well-being of the employees in the organisation. The main key programmes are:

a) ***Recruitment management:*** It is a process of obtaining the required human resource for an organisation.

b) ***Information management:*** It is a method of ensuring that all policies and practices are to be well articulated and effectively communicated to the workforce.

c) ***Training management:*** It is a system of identification of training needs, preparation of a training strategy, and an appropriate training system.

d) ***Performance management:*** It is a technique of appraising performance systematically against defined criteria, reviewing progress to date and assessing the potential for advancement. There are three main appraisal systems such as performance appraisal, potential appraisal, and performance coaching or counselling.

e) ***Reward management:*** It is a method to ensure that people are rewarded in accordance with their contribution.

f) ***Career management:*** It is a system of charting special career paths for the individual employees for advancement in the organisation.

g) ***Health and safety management:*** It is a system of maintaining a healthy and safe system of work in an organisation.

h) ***Discipline management:*** It is a system of administering discipline to foster positive employee behaviour that will promote organisational objectives.

i) ***Culture management:*** It is a system of thinking and behaving shaped by the values, attitudes, rituals and sanctions in an organisation.

Human Resource Development (HRD): Rao (1985) defines HRD as "a process by which the employees of an organisation are helped, in a continuous planned way to: (a) acquire or sharpen capabilities required to perform various tasks and functions associated with their present or expected future roles; (b) develop their general enabling capabilities as individuals so that they are able to discover and exploit their own inner potentials for their own and/or organisational development purposes; and (c) develop an organisational culture where superior-subordinate relationship, team-work, and collaboration among different sub-units are strong and contribute to the organisational health, dynamism and pride of employees."

Human Resource Relationships: Human resource relationships deal with the handling of employees individually and collectively asmembers of trade unions or staff associations. Their main aim is to increase co-operation and

trust and to involve employees actively in the company's affairs. It also deals with problem-solving techniques, particularly to solve problems relating to disciplinary cases and grievances. There are two sides to a dispute in most organisations: the management and the workers. There is a gap and the means have to be found to bridge that gap. Whether or not unions exist, it is highly desirable for the management to develop methods of dealing with employees collectively. Nonetheless, relationships with unions often involve confrontations. The necessary techniques must be evolved for encouraging mutuality and working together in the interests of all.

Unions have to be managed like everything else in an organisation. Management normally gets the union it deserves. If it handles unions the wrong way, the results for the organisation can be disastrous. An approach to collective dealing should be:

(a) the recognition of the union, (b) the respective role performance of management and union, (c) the type of procedures one can adopt to regularize relationships with unions, (d) the basic techniques of negotiating with unions, (e) the mechanism of involvement through participation, both traditional forms of joint consultation as well as the Japanese import of quality circles.

Human Resource Utilisation: According to Peters and Watennan, to achieve productivity through people, it is very essential to "treat them as adults, treat them as partners, treat them with dignity, and treat them with respect." These fundamental human relations values provide the base for productivity management programmes, which use techniques such as method study to improve efficiency. Both managers and workers must be persuaded somehow to realise that they have a common interest in increasing output.

The following actions are required to improve the use of human resources: (a) conduct a productivity drive; (b) improve manpower budgeting and control techniques;

(c) introduce work measurement; (d) use appropriate payment method by results; bonus and profit-sharing schemes; (e) improve motivation; (f) involve employees in improvement programmes; (g) introduce new technology; (h) negotiate appropriate productivity agreements; and (i) introduce training programmes based on an analysis of productivity needs.

Human Resource Accounting (HRA): HRA means accounting for people as the organisational resource. It is the measurement of the cost and value of people to organisations and involves measuring the costs incurred on recruiting, selecting, hiring, training and developing employees and judging their economic value to the organisation. HRA can be very useful in managerial decision-making. For instance, whether it is recruitment and selection or replacement *of* an employee, HRA can provide an estimate *of* the cost involved in the process.

Similarly, it can help the management in budgeting for development *of* human resources. HRA can also provide data pertaining to turnover costs, the cost *of* employee's absence and its impact on performance *of* others.

Human Resource Audit: The purpose *of* a human resource audit is to assess the effectiveness *of* the human resource function and to ensure regulatory compliance. Human resource audit is a vast subject and covers many delicate aspects *of* human and organisational interactions.

The HRD auditor has to study the organisation design, its objective, performance *of* its human resources, as well as the proper maintenance *of* HRD climate and practices. The job *of* the HR auditor is not an easy one. To gain success, he has to be very selective about the area and procedure he wishes to follow. Auditing in the field *of* human resources is a difficult job, more so because unlike other audits, the auditor has to deal with individuals vis-a-vis organisational priorities. Therefore, the HR auditor is required to be very systematic in his job and define the task clearly as to which arena he has to cover.

1.9 SUMMARY

The human resources of an organisation represent one of its largest investment. The objectives of HRM include getting the organisation right, providing effective motivation and leadership, obtaining and developing the right people, paying and treating them fairly, and getting them involved in working productively. The attainment of these objectives necessitates the performance of several functions. The main HRM systems are: (1) appraisal system; (2) career system; (3) training system; (4) work system; (5) cultural system; and (6) self-renewal system. All systems and sub-systems of HRM must be incorporated in the organisation while setting the goals and objectives. This will also integrate the purposes and processes and make HRM more meaningful. Human resources functions are many and varied and include such things as human resource planning, recruiting, selecting, training, counselling employees, compensation management, and employer-employee relations. In small organisations, most human resource functions are performed by owners or operating managers. Large organisations usually have a human resource or personnel department that is responsible for co-ordinating and directing the human resource functions. Successful human resource management is essential to organisational growth and success. In the light of new challenges, there are indications that human resource people will play an increasingly important role in an organisation's long-range planning and policy-making activities.

1.10 SELF ASSESSMENT QUESTIONS

1. Define HRM and distinguish it from personnel management.
2. Describe the evolution of HRM and give an overview of its evolution in India.
3. Explain the importance and scope of HRM.
4. Elaborate the nature of HRM and its relevance in current scenario.
5. What are the components of HRM?

1.11 FURTHER READINGS AND REFERENCES

- Jyothi, P. and Venkatesh, D.N. (2006), *Human Resource Management*, Oxford latest reprint book is also available
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- Armstrong, Michael (2020), *A Handbook of Human Resource Management Practice*, Kogan Page

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UNIT 2 FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

Objectives

After completion of this unit you should be able to:

- Provide an overview of functions of HRM;
- Describe the roles and responsibilities of HR Managers;
- Explain the functions of HR managers; and
- Identify the challenges faced by HR Managers

Structure

2.1 Introduction

2.2 Functions of HRM

2.3 Roles and responsibilities HR Managers

2.4 Functions of HR Managers

2.5 Emerging aspects of HRM function

2.6 Challenges faced by HR Managers

2.7 Summary

2.8 Self Assessment Questions

2.9 Further Readings and References

2.1 INTRODUCTION

The previous unit has laid the foundation of the concept of HRM, its meaning, nature and evolution. Realising the importance of managing the human resource of an organisation, managers devote considerable attention and expertise to attain, maintain and retain human resources. Number of functions is performed by human resource management department for utilizing the human resource efficiently. These functions are interrelated and hold utmost importance not only in managing employees but also in developing them. This unit is a step ahead on the concept of human resource management and will provide details on the HRM functions. The unit will also focus on the roles of HRM which have undergone changes in line with the changing business environment.

2.2 FUNCTIONS OF HRM

HRM plays the centre stage role in an organisation to meet the challenges of a dynamic and competitive environment. Due to the changes in the business environment, the work, workplaces and demographics HR managers need to reconfigure their roles. However, in general the HRM functions are broadly of two categories: Managerial and Operational.

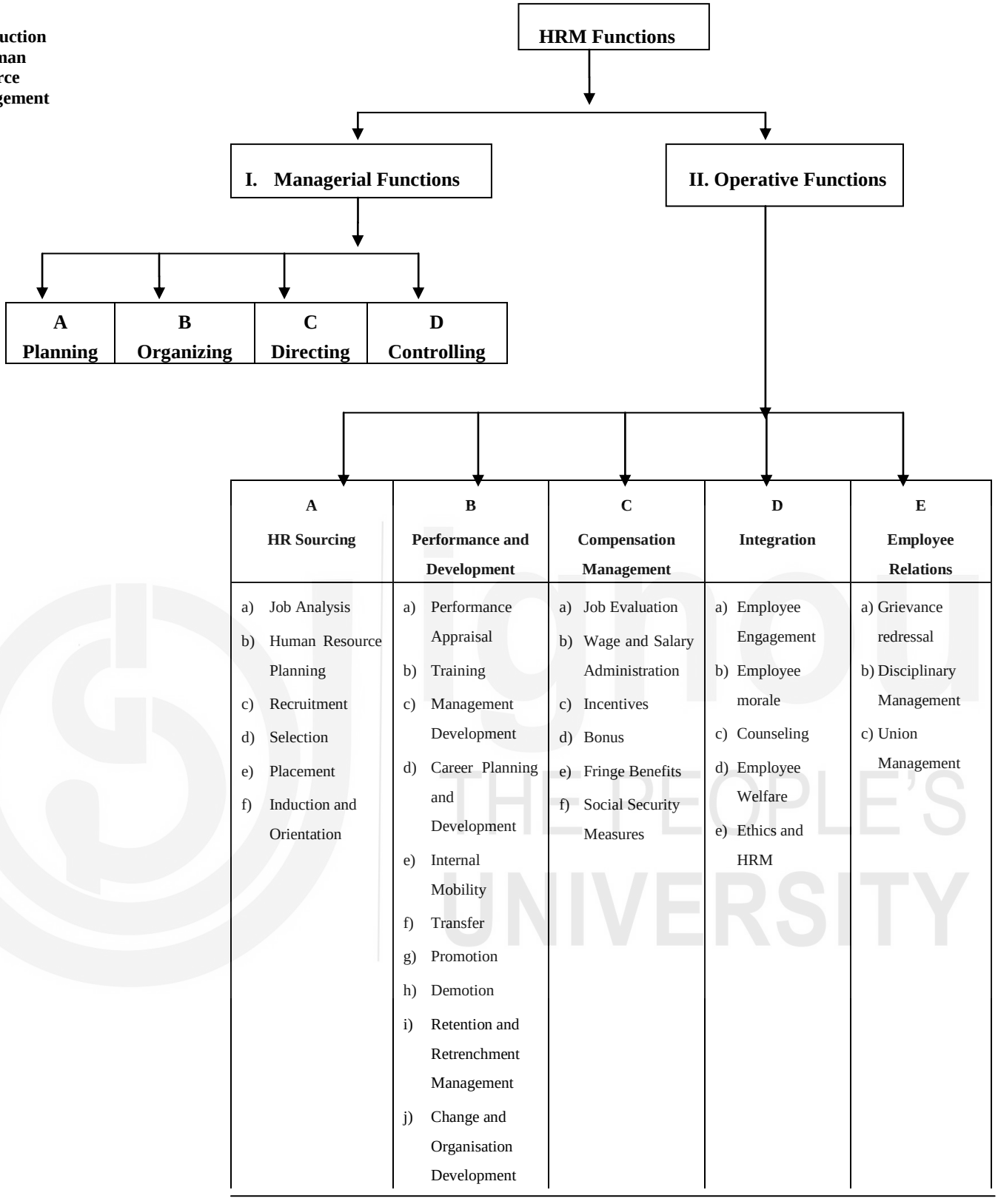

Figure 1: HRM Functions

The figure 1 broadly indicates the HRM functions.

I. Managerial Functions

Managerial functions of human resource management involve planning, organising, directing and controlling.All these functions influence the operative functions.

A) **Planning**: It is a predetermined course of action. Planning pertains to formulating strategies of programmes and changes in advance that will contribute to the organisational goals. In other words, it involves planning of human resources, requirements, recruitment, selection, training etc. It also involves forecasting of HR needs, changing values, attitudes and behaviour of employees and their impact on the organisation.

B) **Organising**: Organising is essential to carry out the determined course of action. In the words of J.C. Massie, an organisation is a "*structure and a process by which a co-operative group of human beings allocates its task among its members, identifies relationships and integrates its activities towards a common objective*." Thus, an organisation establishes relationships among the employees so that they can collectively contribute to the attainment of company goals.

C) **Directing**: The next logical function after completing planning and organising is the execution of the plan. The willing and effective co-operation of employees for the attainment of organisational goals is possible through proper direction. Tapping the maximum potentialities of the people is possible through motivation and command. Co-ordination deals with the task of blending efforts in order to ensure successful attainment of an objective.

D) **Controlling**: Controlling involves checking, verifying and comparing of the actuals with the plans, identification of deviations if any and correcting of identified deviations. Thus, action and operation are adjusted to pre-determined plans and standards through control. Auditing training programmes, analysing labour turnover records, directing morale surveys, conducting separate interviews are some of the means for controlling the HRM function and making it effective.

Activity A: Browse through web resources and prepare an activity report indicating managerial functions.

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II. Operative Functions

The operative functions of human resources management are related to specific activities of managing employees, *viz.*, employment, development, compensation and relations. All these functions are interacted with managerial functions. There are five major operative functions that HR managers carry out.

A. HR Sourcing

B. Performance and development

C. Compensation management

D. Integration

E. Employee relations

With the changing business scenario these are emerging functions which HR managers carry out. All these functions will be dealt in detail in the subsequent blocks of the course, however an essence is presented in the following paragraphs.

1. **HR Resourcing**: It is the first operative function of Human Resources Management (HRM). It is concerned with employing the people possessing the required kind and level of human resources necessary to achieve the organisational objectives. It covers functions such as job analysis, human resources planning, recruitment, selection, placement, induction and orientation.

   i) ***Job Analysis****:* It is the process of study and collection of information relating to the operations and responsibilities of a specific job. It includes:

   - Collection of data, information, facts and ideas relating to various aspects of jobs including men, machines and materials.
   - Preparation of job description, job specifications, job requirements and employee specifications which will help in identifying the nature, levels and quantum of human resources.
   - Providing the guides, plans and basis for job design and for all operative functions of HRM.

   ii) ***Human Resources Planning****:* It is a process for determination and assuring that the organisation will have an adequate number of qualified persons, available at proper times, performing jobs which would meet the needs of the organisation and which would provide satisfaction for the individuals involved. It involves:

   - Estimation of present and future requirements and supply of human resources based on objectives and long range plans of the organisation.
   - Calculation of net human resources requirements based on present inventory of human resources.
   - Taking steps to mould, change and develop the strength of existing employees in the organisation so as to meet the future human resources requirements.
   - Preparation of action programmes to get the rest of human resources from outside the organisation and to develop the human resources in terms of existing employees.

   iii) ***Recruitment****:* It is the process of searching for prospective employees and stimulating them to apply for jobs in an organisation. It deals with:

- Identification of existing sources of applicants and developing them.
- Creation/identification of new sources of applicants.
- Stimulating the candidates to apply for jobs in the organisation.
- Striking a balance between internal and external sources.

iv) ***Selection****:* It is the process of ascertaining the qualifications, experiences, skills, knowledge etc., of an applicant with a view to appraising his/her suitability to a job. This function includes:

Framing and developing application blanks.

- Creating and developing valid and reliable testing techniques.
- Formulating interviewing techniques.
- Checking of references.
- Setting up a medical examination policy and procedure.
- Line manager's decision.
- Sending letters of appointment and rejection.
- Employing the selected candidates who report for duty.

v) ***Placement****:* It is the process of assigning the selected candidate with the most suitable job in terms of job requirements. It is matching of employee specifications with job requirements. This function includes:

- Counselling the functional managers regarding placement.
- Conducting follow-up study, appraising employee performance in order to determine employee adjustment with the job.
- Correcting misplacements, if any.

vi) Induction and Orientation: Induction and orientation are the techniques by which a new employee is rehabilitated in the changed surrounding and introduced to the practices, policies, purposes and people etc., of the organisation.

- Acquaint the employee with the company philosophy, objectives, policies, career planning and development, opportunities, product, market share, social and community standing, company history, culture etc.
- Introduce the employee to the people with whom he has to work such as peers, supervisors and subordinates.
- Mould the employes attitude by orienting him to the new working and social environment.

2. Performance and Development: It is the process of improving, moulding and changing the skills, knowledge, creative ability, aptitude, attitude, values, commitment etc., based on present and future job and organisational requirements.

i) ***Performance Appraisal****:* It is the systematic evaluation of individuals with respect to their performance on the job and their potential for development. It includes:

- Developing policies, procedures and techniques.
- Helping the functional managers.
- Reviewing of reports and consolidation of reports.
- Evaluating the effectiveness of various programmes.

ii) ***Training****:* It is the process of imparting to the employees technical and operating skills and knowledge.

It includes:

- Identification of training needs of the individuals and the company.
- Developing suitable training programmes.
- Helping and advising line management in the conduct of training programmes.
- Imparting of requisite job skills and knowledge to employees.
- Evaluating the effectiveness of training programmes.

iii) ***Management Development****:* It is the process of designing and conducting suitable executive development programmes so as to develop the managerial and human relations skill of employees. It includes:

- Identification of the areas in which management development is needed.
- Conducting development programmes.
- Motivating the executives.
- Designing special development programmes for promotions.
- Using the services of specialists, and/or utilising of the institutional executive development programmes.
- Evaluating the effectiveness of executive development programmes.

iv) **Career Planning and Development**: It is the planning of one's career and implementation of career plans by means of education, training, job search and acquisition of work experiences. It includes internal and external mobility.

v) **Internal Mobility**: It includes vertical and horizontal movement of an employee within an organisation.

It consists of transfer, promotion and demotion.

vi) **Transfer**: It is the process of placing employees in the same level jobs where they can be utilised more effectively in consistence with

their potentialities and needs of the employees and the organisation. It also deals with:

- Developing transfer policies and procedures.
- Guiding employees and line management on transfers.
- Evaluating the execution of transfer policies and procedures.

vii) ***Promotion****:* It deals with upward reassignment given to an employee in the *organisation* to occupy higher position which commands better status and/or pay keeping in view the human resources of the employees and the job requirements. This function covers.

- Formulating of equitable, fair and consistent promotion policies and procedures.
- Advising line management and employees on matters relating to promotions.
- Evaluating the execution of promotion policies and procedures.

viii) ***Demotion:*** It deals with downward reassignment to an employee in the organisation.

- Develop equitable, fair and consistent demotion policies and procedures.
- Advising line managers on matters relating to demotions.
- Oversee the implementations of demotion policies and procedures.

ix) ***Retention and Retrenchment Management****:* Employers prefer to retain more talented employees while they retrench less talented employees. Employers modify existing human resource strategies and craft new strategies in order to pay more salaries, provide more benefits and create high quality of work life to retain the best employees. And managements pay less to the less talented employees and plan to retrench the misfits as well as unwanted employees depending upon the negetive business trends.

x) ***Change and Organisation Development****:* Change implies the creation of imbalances in the existing pattern or situation. Organisation development is a planned process designed to improve organisational effectiveness and health through modifications in individual and group behaviour, culture and systems of the organisation using knowledge and technology of applied behavioural sciences.

C. **Compensation Management**: It is the process of providing adequate, equitable and fair remuneration to the employees. It includes job evaluation, wage and salary administration, incentives, bonus, fringe benefits, social security measures etc.

i) ***Job Evaluation****:* It is the process of determining relative worth of jobs.

- Select suitable job evaluation techniques.

- Classify jobs into various categories.
- Determining relative value of jobs in various categories.

ii) ***Wage and Salary Administration****:* This is the process of developing and operating a suitable wage and salary programme. It covers:

- Conducting wage and salary survey.
- Determining wage and salary rates based on various factors.
- Administering wage and salary programmes.
- Evaluating its effectiveness.

iii) ***Incentives:*** It is the process of formulating, administering and reviewing the schemes of financial incentives in addition to regular payment of wages and salary. It includes:

- Formulating incentive payment schemes.
- Helping functional managers on the operation.
- Review them periodically to evaluate effectiveness.

iv) ***Bonus****:* It includes payment of statutory bonus according to the Payment of Bonus Act, 1965 and its latest amendments.

v) ***Fringe Benefits****:* These are the various benefits at the fringe of the wage. Management provides these benefits to motivate the employees and to meet their life's contingencies. These benefits include:

Disablement benefit.

- Housing facilities.
- Educational facilities to employees and children.
- Canteen facilities.
- Recreational facilities.
- Conveyance facilities.
- Credit facilities.
- Legal clinics.
- Medical, maternity and welfare facilities.
- Company stores.

vi) ***Social Security Measures****:* Managements provide social security to their employees in addition to the fringe benefits. These measures include:

- Workmen's compensation to those workers (or their dependents) who involve in accidents.
- Maternity benefits to women employees.
- Sickness benefits and medical benefits.
- Disablement benefits/allowance.

- Dependent benefits.
- Retirement benefits like provident fund, pension, gratuity etc.

D. Integration: Practicing various human resources policies and programmes like employment, development, compensation and interaction among employees create a sense of relationship between the individual worker and management, among workers and trade unions and the management.

It is the process of interaction among human beings. Human relations is an area of management in integrating people into work situations in a way that motivates them to work together productively, co-operatively and with economic, psychological and social satisfaction. It includes:

- Employee engagement
- Understanding and applying the models of perception, personality, learning, intra- and inter-personal relations, intra- and inter-group relations.
- Motivating the employees.
- Boosting employee morale.
- Developing the communication skills.
- Developing the leadership skills.
- Grievance redressal
- Handling disciplinary cases by means of an established disciplinary procedure.
- Counseling the employees in solving their personal, family and work problems and releasing their stress, strain and tensions.
- Providing a comfortable work environment by reducing fatigue, monotony, boredom and industrial accidents.
- Improving quality of work life of employees through participation and other means.

E. Employee Relations: The term 'industrial relations' refers to the study of relations among employees, employers, government and trade unions. Industrial relations include:

- Trade unionism
- Collective bargaining
- Industrial conflicts
- Workers' participation in management

Emerging Functions in HRM: Apart from the above mentioned functions of HRM, these are some emerging functions. Human Resources Management has been advancing at a fast rate. The recent trends in HRM include:

- Strategic HRM
- Ethics and HRM
- HR accounting, audit and research and
- International HRM
- HR outsourcing

Activity B: Prepare a handbook containing the HR functions which can be used by HR managers.

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2.3 ROLES AND RESPONSIBILITIES OF HR MANAGERS

The role of HRM is to plan, develop and administer policies and programs designed to make optimum use of an organization's human resources. It is that part of management which is concerned with the people at work and with their relationship within organisation. Its objectives are:

(a) effective utilization of human resources, (b) desirable working relationships among all members of the organizations, and (c) maximum individual development.

Human resources functions as primarily administrative and professional. With the changing scenario they are involved in company's overall strategic management also.

HR professionals have an all encompassing role. They are required to have a thorough knowledge of the organization and its intricacies and complexities. The ultimate goal of every HR manager should be to develop a linkage between the employee and organization because employee's commitment to the organization is crucial. The first and foremost role of HR manager is to impart continuous education to the employees about the changes and challenges facing the country in general and their organization in particular. The employees should know about the balance sheet of the company, sales progress, and diversification of plans, share price movements, turnover and other details about the company. The HR professionals should impart such knowledge to all employees through small booklets, video films and lectures.

The primary responsibilities of Human Resource Managers are:

- To develop a thorough knowledge of corporate culture, plans and policies;
- To act as an internal change agent and consultant;

- To initiate change and act as an expert and facilitator;
- To actively involve in company‘s strategy formulation;
- To keep communication line open between the HRD function and individuals and groups both within and outside the organization;
- To identify and evolve HRD strategies in consonance with overall business strategy;
- To facilitate the development of various organizational teams and their working relationship with other teams and individuals;
- To try and relate people and work so that the organization objectives are achieved efficiently and effectively;
- To diagnose problems and determine appropriate solution particularly in the human resource areas;
- To provide co-ordination and support services for the delivery of HRD programmes and services; and
- To evaluate the impact of an HRD intervention or to conduct research so as to identify, develop or test how HRD in general has improved individual and organizational performance.

Different management gurus have deliberated different roles for the HR managers based on the major responsibilities that they full fill in the organization. Few of the commonly accepted models are enumerated below.

Pat McLagan has suggested nine roles that are played by HR professionals, which are presented in the Box 1.

Box 1: Roles played by the HR Professionals.

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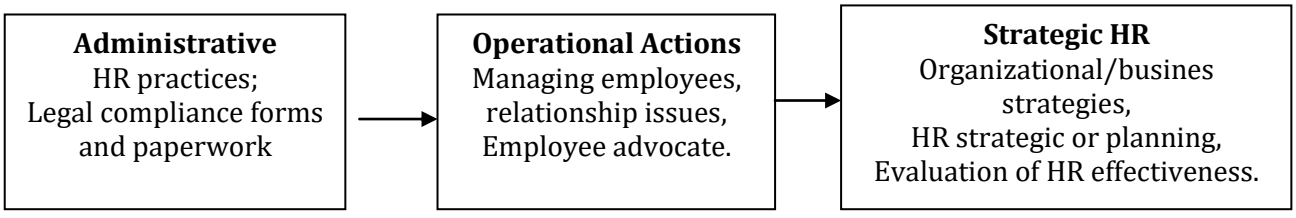
1. To bring the issues and trends concerning an organization's external and internal people to the attention of strategic decision makers and to recommend long term strategies to support organizational excellence and endurance.
2. To design and prepare HR systems and actions for implementation so that they can produce maximum impact on organizational performance and development.
3. To facilitate the development and implementation of strategies for transforming one's own organization by pursuing values and visions.
4. To create a positive relationship with the customer's by providing them with the best services; to utilize the resources to the maximum and to create commitment among the people who help the organization to meet the customers needs whether directly connected or indirectly connected to the organization.
5. To identify the learning needs hence to design and develop structured learning programmes and materials to help accelerate learning for individuals and groups.
6. To enable the individuals and groups to work in new situations and to expend and change their views so that people in power move from authoritarian to participative models of leadership.
7. To help employees to assess their competencies, values and goals so that they can identify, plan and implement development plans.
8. He also assists the individual employee to add values in the workplace and to focus on the interventions and interpersonal skills for helping people change and sustain change.
9. He assesses the HRD practices and programmes and their impact and to communicate results so that the organization and its people accelerate their change and development.

Emerging Roles of HR Managers

According to R.L Mathis and J. H. Jackson (2010) several roles can be fulfilled by HR management. The nature and extent of these roles depend on both what upper management wants HR management to do and what competencies the HR staff have demonstrated. Three roles are typically identified for HR. The focus of each of them, as shown in Figure 2 is elaborated below:

Figure 2: Emerging Roles of HR Managers



1. Administrative Role of HR

The administrative role of HR management has been heavily oriented to administration and recordkeeping including essential legal paperwork and policy implementation. Major changes have happened in the administrative role of HR during the recent years. Two major shifts driving the transformation of the administrative role are: Greater use of technology and Outsourcing.

Technology has been widely used to improve the administrative efficiency of HR and the responsiveness of HR to employees and managers, more HR functions are becoming available electronically or are being done on the Internet using Web-based technology. Technology is being used in most HR activities, from employment applications and employee benefits enrollments to e-learning using Internet-based resources.

Increasingly, many HR administrative functions are being outsourced to vendors. This outsourcing of HR administrative activities has grown dramatically in HR areas such as employee assistance (counseling), retirement planning, benefits administration, payroll services, and outplacement services.

2. Operational and Employee Advocate Role for HR

HR managers manage most HR activities in line with the strategies and operations that have been identified by management and serves as employee ―champion for employee issues and concerns.

HR often has been viewed as the employee advocate in organizations. They act as the voice for employee concerns, and spend considerable time on HR crisis management, dealing with employee problems that are both work-related and not work-related. Employee advocacy helps to ensure fair and equitable treatment for employees regardless of personal background or circumstances.

Sometimes the HR's advocate role may create conflict with operating managers. However, without the HR advocate role, employers could face even more lawsuits and regulatory complaints than they do now.

The operational role requires HR professionals to cooperate with various departmental and operating managers and supervisors in order to identify and implement needed programs and policies in the organization. Operational activities are tactical in nature. Compliance with equal employment opportunity and other laws is ensured, employment applications are processed, current openings are filled through interviews, supervisors are trained, safety problems are resolved, and wage and benefit questions are answered. For carrying out these activities HR manager matches HR activities with the strategies of the organization.

3. Strategic Role for HR

The administrative role traditionally has been the dominant role for HR. However, it is observed that a broader transformation in HR is needed so

that significantly less HR time and fewer HR staffs are used just for clerical work.

Differences between the operational and strategic roles exist in a number of HR areas. The strategic HR role means that HR professionals are proactive in addressing business realities and focusing on future business needs, such as strategic planning, compensation strategies, the performance of HR, and measuring its results. However, in some organizations, HR often does not play a key role in formulating the strategies for the organization as a whole; instead it merely carries them out through HR activities.

Many executives, managers, and HR professionals are increasingly seeing the need for HR management to become a greater strategic contributor to the ―business success of organizations. HR should be responsible for knowing what the true cost of human capital is for an employer. For example, it may cost two times key employees‘ annual salaries to replace them if they leave. Turnover can be controlled though HR activities, and if it is successful in saving the company money with good retention and talent management strategies, those may be important contributions to the bottom line of organizational performance.

The role of HR as a *strategic business partner* is often described as ―having a seat at the board level and contributing to the strategic directions and success of the organization. That means HR is involved in *devising* strategy in addition to *implementing* strategy. Part of HR‘s contribution is to have financial expertise and to produce financial results, not just to boost employee morale or administrative efficiencies. Therefore, a significant concern for chief financial officers (CFOs) is whether HR executives are equipped to help them to plan and meet financial requirements.

However, even though this strategic role of HR is recognized, many organizations still need to make significant progress toward fulfilling it. Some examples of areas where strategic contributions can be made by HR Managers are presented in the box 2:

Box 2: Strategic Contributions by HR Managers

- Evaluating mergers and acquisitions for organizational compatibility, structural changes, and staffing needs
- Conducting workforce planning to anticipate the retirement of employees at all levels and identify
- workforce expansion in organizational strategic plans
- Leading site selection efforts for new facilities or transferring operations to international outsourcing locations based on workforce needs
- Instituting HR management systems to reduce administrative time, equipment, and staff by using HR technology
- Working with executives to develop a revised sales compensation and incentives plan as new products
- It is the era when for the competitive triumph of the organization there is a need to involve HRM significantly in an integrated manner, which demands such capabilities from the HR specialists.

The role of HR shifted from a facilitator to a functional peer with competencies in other functions, and is acknowledged as an equal partner by others. The HR is motivated to contribute to organizational objectives of profitability and customer satisfaction, and is seen as a vehicle for realization of quality development. The department has a responsibility for monitoring employee satisfaction, since it is seen as substitute to customer satisfaction.

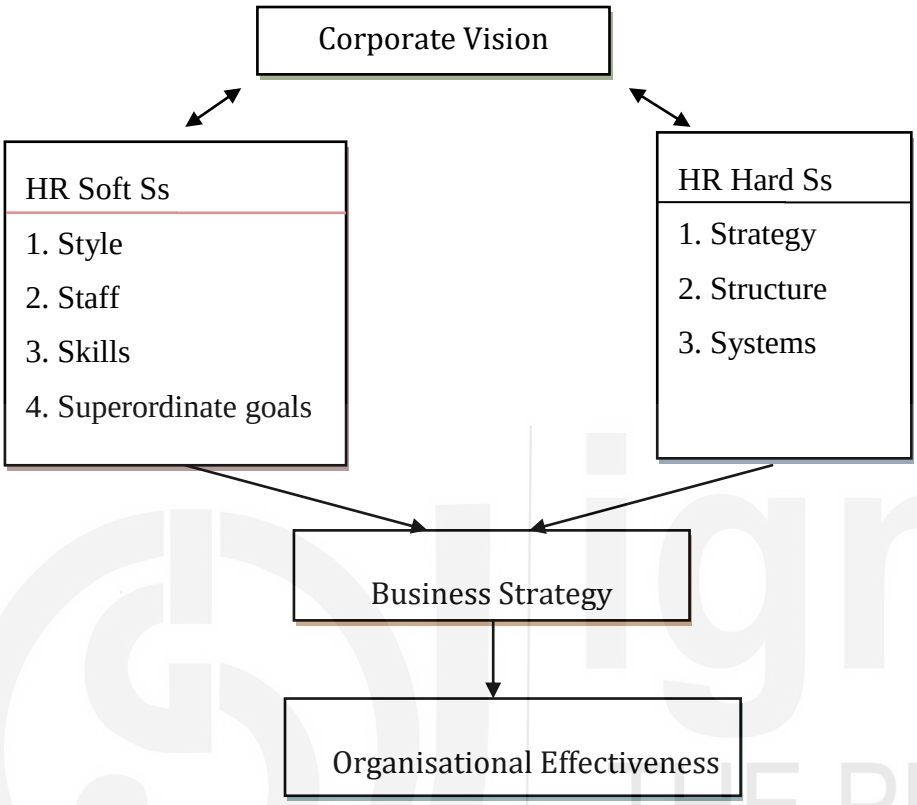


Figure 3: Seven Ss Model

According to McKinsey's 7-S framework model HR plays the role of a catalyst for the organization. According to this framework (Figure 3), effective organizational change is a complex relationship between seven Ss. HRM is a total matching process between the three Hard Ss (Strategy, Structure and Systems) and the four Soft Ss (Style, Staff, Skills and Super-ordinate Goals). Clearly, all the Ss have to complement each other and have to be aligned towards a single corporate vision for the organization to be effective. It has to be realized that most of the Ss are determined directly or indirectly by the way Human Resources are managed, and therefore, *HRM must be a part of the total business strategy.*

New Roles of Human Resource Management

Human Resource Management in the 'New Millennium' has undergone a great revolution by questioning the accepted practices and re-inventing the organizations as well as structures. Many traditional practices have been thrown out. As an example, it can be seen that hierarchies are vanishing and there is greater emphasis on flat organizations. It means a great deal of specialisation and skills. It also means upgrading the norms and standards of work as well as performance.

The new role of human resource management is much more strategic than before. Some of the new directions of the role of HRM can be summed up as follows:

1. **A Facilitator of Change**: To carry people through upheaval requires the true management of human resources.
2. **An Integrated Approach to Management**: Rather than being an isolated function, human resource is regarded as a core activity, one which shapes a company‘s values. In particular, this can have an impact on customer service.
3. **A Mediator**: Establishing and balancing the new and emerging aspirations and requirements of the company and the individual.

These changes, which are taking place, involve more commitment of the organization to the development of people by improving performance and cutting costs. As a result of this, the duration of tenure, which was traditionally long standing, is now limited, future is becoming less certain, management opportunities are self determined and motivational factors are more concerned with enhancing future employability rather than loyalty to the company and, at the same time, the rewards are going up in terms of higher salaries. The future creative careers, will require more involved approach to career development, which will include:

i) Share employees with strategic partner organizations (customers of suppliers) in lieu of internal moves.

ii) Encourage independence : Employees may go elsewhere for career development, possibly to return in a few years.

iii) Fund-groups of employees to set-up as suppliers outside the organization.

iv) Encourage employees to think of themselves as a business and of the organization‘s various departments as customers.

v) Encourage employees to develop customers outside the organization.

vi) Help employees develop self-marketing, networking and consultancy skills to enable them to search out, recognize or create new opportunities for both themselves and the organization.

vii) Identify skilled individuals in other organizations who can contribute on a temporary project basis or part-time.

viii) Regularly expose employees to new people and ideas to stimulate innovation.

ix) Balance external recruitment at all levels against internal promotion to encourage open competition, competitive tendering for jobs to discourage seeing positions as someone‘s territory which causes self-protective conformity.

x) Foster more cross-functional teamwork for self-development.

xi) Eliminate the culture of valuing positions as career goals in favour of portraying a career as a succession of bigger projects, achievements and new skills learned. The concept of position is part of the outside static concept of the organization. Positions are out. Processes and projects are in.

xii) Abandon top-down performance appraisal in favour of self-appraisal based on internal customer satisfaction surveys and assessing people as you would suppliers.

xiii) Replace top-down assessment processes with self-assessment techniques and measure performance in term of results.

Activity C: Present a caselet indicating the traditional HR roles and the changing roles.

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2.4 FUNCTIONS OF HUMAN RESOURCE MANAGERS

A human resource manager charged with fulfilling the objectives of an organization, should be a leader with high intellectual powers, a visionary and a philosopher who provides the initiative to shape the future in terms of leading the human beings in an organization towards more prosperous and progressive policies. Following are some of the functions of HR managers.

1. **Human Resource Manager as an Intellectual** : The basic skill in the human resource field as compared to technologists or financial experts is the skill to communicate, articulate, understand and above all, to be an expert when it comes to putting policies and agreements in black and white. The HR manager's man's skill lies in his command over the language. HR has to deal with employees and he must possess the skills of conducting fruitful and systematic discussions and of communicating effectively. He should also be in a position to formulate principles and foresee the problems of the organization. This means that he would require the mental ability to deal with his people in an intelligent manner as well as to understand what they are trying to say.

2. **Human Resource Manager as an Educator** : It is not enough that a human resource man has command-over the language, which, however, remains his primary tool. He should be deeply interested in learning and also in achieving growth. Basically, human beings like to grow and realise their full potential. In order to harmonise the growth of individuals with that of the organization, a personnel administrator must not only provide opportunities for his employees to learn, get the

required training and assimilate new ideas but also he himself should be a teacher.

3. **Human Resource Manager as a Discriminator** : A human resource administrator must have the capacity to discriminate between right and wrong, between that which is just and unjust and merit and nonmerit. In other words, he should be a good judge when he sits on a selection board, a fair person when he advises on disciplinary matters and a good observer of right conduct in an organization.

4. **Human Resource Manager as an Executive** : The human resource manager must execute the decisions of the management and its policies with speed, accuracy and objectivity. He has to streamline the office, tone up the administration and set standards of performance. He has to coordinate the control functions in relation to the various other divisions and, in doing so he should be in a position to bring unity of purpose and direction in the activities of the HR department. He must ask relevant questions and not be merely involved in the office routine whereby the status quo is maintained. He should have the inquisitiveness to find out causes of delay, tardy work and wasteful practices, and should be keen to eliminate those activities from the personnel functions which have either outlived their utility or are not consistent with the objectives and purposes of the organization.

5. **Human Resource Manager as a Leader**: Being basically concerned with people or groups of people, and being placed in the group dynamics of various political and social functions of an organization, a Human resource man must not shirk the role of leadership in an organization. He, by setting his own example and by working towards the objectives of sound HR management practices, must inspire his people and motivate them towards better performance. He should resolve the conflicts of different groups and build up teamwork in the organization.

6. **Human Resource Manager as a Humanist**: Deep faith in human values and empathy with human problems, especially in less developed countries, are the sine qua non for a Human resource manager. He has to deal with people who toil at various levels and partake of their joys and sorrows. He must perform his functions with sensitivity and feeling.

7. **Human Resource Manager as a Visionary**: While every leading function of an organization must evolve its vision of the future, the primary responsibility for developing the social organization towards purposive and progressive action fall on the personnel man. He should be a thinker who sets the pace for policy-making in an organization in the area of human relations and should gradually work out new patterns of human relations management consistent with the needs of the organization and the society. He must ponder on the social obligations of the enterprise, especially if it is in the public sector, where one has to work within the framework of social accountability. He should be in close touch with socio-economic changes in the country. He should be able to reasonably forecast future events and should constantly strive to meet the coming challenges.

2.5 EMERGING ASPECTS OF HRM FUNCTION

Along side the changing functions of HRM and changing roles of HR managers there is also evidence of emerging new aspects of HRM function such as strategy and HRM ethics and HRM, and HRM outsourcing. Some of them are discussed below.

Strategy and HRM

The primary goal of every organization is to remain and relevant in business. To achieve this goal, organizations should be effective and efficient in their operations within the limitations of their resources. Therefore, management think of strategy, which is referred to as a set of coordinated and monitored choices and actions within the framework of the organizations. A strategy is regarded to be more than decisions, also is putting choices into practice. However, regarding HR management in organizations, there are two basic types of strategy. (i) competitive business strategy, which involves choice making and how to serve their customers better; and (ii) human resource strategy that involve choice making regarding the management of people within the organization. Further, there is need to harmonize the two strategies in order to ensure high organizational performance as significant attention has been given to HR becoming a strategic partner. This concept has led to the formation of Strategic Human Resource Management (SHRM), which is an integration of the strategic management and human resource management. SHRM points to the contribution of HRM to the performance of organizations, evidently, organizations adopting a particular strategy require HR practices that may differ from those required by organizations adopting alternative strategies (Delery and Doty, 1996), meaning that there is an important link between organizational strategy and HR practices that are implemented in that organization.

Ethics & HRM

HR practitioners play major role in keeping, disseminating and enforcing organizational ethics. Some areas of ethical misconduct involving HR activities are depicted in Table 1. Essentially, these ethical issues generate fundamental questions about fairness, justice, and truthfulness, therefore making the study of ethics wide and complex.

Table 1: Examples of Ethical Misconduct in HR Activities

Types of Misconduct	Examples of Employee, Supervisor, and Managerial Behavior
Compensation	• Falsifying expense reports • Inappropriate overtime classifications • Misrepresenting hours and time worked • Personal bias in performance appraisals and pay increases
Employee Relation	• Personal gains/gifts from vendors • Intentionally violating safety/health regulations • Misusing/stealing organizational assets and supplies • Employees lying to supervisors • Executive/managers providing false information to public, customers and ventors
Staffing & Equal Employment	• Sexual harassment • Sex, race, and age discrimination in hiring, discipline, and termination • Favouritism an hiring and promotion

Source: Adapted from Mathis & Jackson (2006)

HR Outsourcing

The concept of outsourcing is familiar to us with the term 'BPO' i.e. Business process outsourcing. Outsourcing simply refers to the use of another party or third party to carry out various or specific business operations or functions. A similar kind of concept newly emerges for the HR functions as well where the variety of specific HR functions of an organization is delegated to another outside party who are expert to carry out HR functions.

Challenges that an organization deals with while opting for outsourcing is which function should be outsourced, to whom it can be outsourced, for how long the function can be outsourced and how the relationship with the outsourced company can be managed for getting the functions done effectively. The mixed thoughts and emotions associated with HR outsourcing is available in the literature. Many have supported that provides potential gains in HR functions but desired cost-saving rarely materialized (Cooke et al., 2005). Although many organizations still opt for outsourcing their various business activities and in fact decisions to outsource functions have increased, albeit perhaps cautiously (CIPD, 2011). CIPD(2011) has explained the potential benefits of HR outsourcing along with the associated

challenges. The benefit of 'reduced cost' comes with the challenge of determining which function can be outsourced. If the manager is not aware of the particular HR functions completely it will lead to the unnecessary increased cost of outsourcing. The benefit of 'increased efficiency and speed of response' comes with the loss of tacit knowledge of the organization. With outsourcing, an organization takes the benefit of a sophisticated e-HR system of provider but at the cost of losing control over the HR process and decision making. Along with these benefits, an organization takes the advantage of HR expertise and knowledge of a third party but have to dissociate itself with the day-to-day operations of HR decision making. Only the strategic HR decision making remains with the organization.

2.6 CHALLENGES FACED BY HR MANAGERS

HR activities in organizations are facing some challenges in practice, such as occupational shifts; quality of available workforce; growth in casual workers; technological shifts; gender diversity; racial/ethnic diversity; age limit; gloabalization and organizational restructuring. However, challenges facing HR managers are seen from two perspectives; internal and external and could be classified into three: (i) organizational challenges these are internal in nature and often results from environmental forces that are external by nature. Some of the issues emanating from the organizations include organizational restructuring, organizational culture, outsourcing, downsizing and decentralization; (ii) environmental challenges they are issues emanating from the external context where the company operates, which has great influence on performances of organizations. These include; legislation, globalization, labour demand and supply, an work diversity; and (iii) individual challenges are the issues regarding employees, how they are being treated, matching individuals with organizations, employee development, insecurity, and reward systems, which affects organizational performance.

2.7 SUMMARY

This unit extends the understanding of human resource management with the functions performed under HRM as a management function. It also described the roles and responsibilities of HR managers including the emerging functions.

2.8 SELF ASSESSMENT QUESTIONS

1. Discuss the functions of human resource management with the help of examples.
2. What are the roles and responsibilities of HR managers?
3. Describe the challenges faced by HR managers citing examples.

2.9 FURTHER READINGS AND REFERENCES

- Jyothi, P. and Venkatesh, D.N. (2006), *Human Resource Management*, Oxford
- Gupta, C.B. (1997), *Human Resource Management*, Sultan Chand
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- P Subba Rao, 5th edition, 2014, *Personnel and Human Resource Management*, Himalaya Publishing House

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UNIT 3 ENVIRONMENT AND HRM

Objectives

After completion of this unit, you should be able to:

- Understand the Environmental/organisational factors and its influence on HRM
- Explain the concept of strategic HRM
- Discuss the importance of international HRM
- Understand the concept of HR analytics

Highlight the emerging trends i.e 4th Industrial revolution and Artificial intelligence and its influence on HRM

Structure

3.1 Introduction

3.2 Organisational environment and HRM

3.3 Strategic Human Resource Management

3.4 International Human Resource Management

3.5 HR analytics

3.6 4th Industrial Revolution and HRM

3.7 Artificial intelligence and HRM

3.8 Summary

3.9 Self-assessment questions

3.10 Further readings and References

3.1 INTRODUCTION

HRM is a major management function for managing people in organisations. It has evolved over a period of time due to impact of changing orginastional environment. An organizational environment is composed of several forces/factors that affect the short-term as well as long term objectives. Since they have a direct influence on the organization, the human resources of an organization also get exposed to it and thus their functions and performance affects. The analysis and scanning of the environment by an HR manager to proactively devise a course of action for human resource to avoid future uncertain negative consequences and intense competition. Such scanning is usually done under two types of environment- internal and external. New trends and developments are always observed in the HRM operations. Some of the recent developments include strategic HRM, international HRM, HR analytics. Similarly the changes in organizational environment which is drastically changing the HRM operations are 4th industrial revolution, artificial intelligence are discussed in this unit.

3.2 ORGANISATIONAL ENVIRONMENT AND HRM

Environmental influences are factors that impact the Human Resource Management operations within an organization. Factors influencing Human Resource Management are not static. Factors influencing HRM exhibit 1 can be classified into two categories:

A. External environment

B. Internal environment

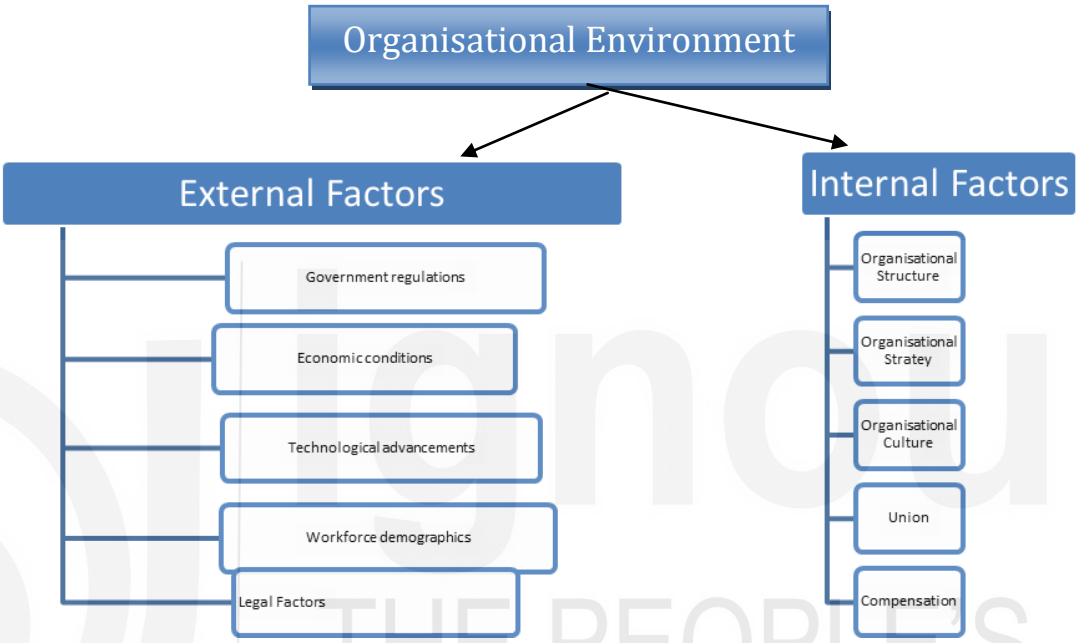

Exhibit 1: Orgnisational Environment Factors

These factors are constantly changing and HR Managers must continually monitor these internal and external factors and make corresponding changes in the HR strategy.

A. **External environment**: It includes factors like: Government regulations, economic conditions, technological advancements and workforce demographics.

   a. **Government Regulations**: Presence of Government regulations with the introduction of new workplace compliance w.r.t work, workers and workplace, HR is constantly under pressure to stay within the law. These types of regulations influence every process of the HR department, including hiring, training, compensation, termination, and much more. Without adhering to such regulations a company can be fined extensively which if it was bad enough could cause the company to shut down.

   b. **Economic Conditions**: One of the biggest external influences is the shape of the current economy. Not only does it affect the talent pool, but it might affect your ability to hire anyone at all. One of the biggest ways to prepare against economic conditions is to not only know what's happening in the world around you, but also create a

plan for when there is an economic downturn. All companies canmake due in a bad economy if they have a rainy day fund or plan to combat the harsh environment.

c. **Technological Advancements**: This is considered an external influence because when new technologies are introduced the HR department can start looking at how to downsize and look for ways to save money. A job that used to take 2-4 people could be cut to one done by a single person. Technology is revolutionizing the way we do business and not just from a consumer standpoint, but from an internal cost-savings way.

d. **Workforce Demographics**: As the older generation retires and a new generation enters the workforce the human resources department must look for ways to attract this new set of candidates. They must hire by adapting different methods and offer different types of compensation packages that work for this younger generation. At the same time, they must offer acondusive work environment.

e. **Legal factors** like organizational health, trading, competition and regulations from legal firms directly affect a business. The important legislations affecting HRM in India are:

i. Factories Act, 1948

ii. Trade Unions Act, 1926

iii. The Payment of Wages Act, 1936

iv. The Minimum Wages Act, 1948

v. Employees State Insurance Act, 1948

vi. Workmen' Compensation Act, 1923

vii. The Payment of Bonus Act, 1965

viii. The Payment of Gratuity Act, 1972

ix. The Maternity Benefit Act, 1961

x. The Apprentice Act, 1961

xi. Industrial Employment (Standing Orders) Act, 1946. etc.

HRM must operate within the law and stay updated on legal changes. Legislative factors determine the grievances HRM has to address.

The external environment that can affect any business operation can be summarized as PESTEL (political, economic, social, technological, environmental and legislative factors). PESTEL changes are continuously impacting on human resource policies. These factors affect the internal operations regardless of the fact that they are outside the organization.

a. **Political factors** include government funding, initiatives and grants. Political instability, taxation and relationship with other governments, impact directly on human resource practices.

Therefore, it is important to check these factors prior to establishing an operation.

b. **Economic factors** such as inflation, unemployment, exchange rates, interest rates, rate of economic development, government and consumer spending directly affect the organizations. Higher interest rates hinder investmentas this raises the cost of borrowing. Inflation in commodity prices may make employees demand more money as salaries and this will in turn raise operational costs of the company. An increase in disposable income will as well create a broad market for the products manufactured by the company.

c. **Social factors:** Lifestyle, ethics, demographics, education and culture are some of the social factors that affect the business operations. Any change in these factors will have a greater influence in demand for products and the availability of workforce willing to labor for the company. Understanding the surrounding culture helps HRM put in place a culture that blends with its environment. Social changes affect organizational culture and have enabled organizations embrace cultural differences. HR practitioners need to keep abreast of social changes in order to fully understand their employees.

d. **Technological factors**: Technical research, purchasing power, technological innovation and intellectual capacity affect HR operations. Any change in technology creates a need to restructure human resource structure and policies. Technology has found its way into business operations such as marketing and selling through online shopping and computer designs to alter how business functions are carried out. Today, recruitment and selection processes can easily be done on an online platform. Human resource management creates online portal to increase efficiency in these processes. This has eliminated the cost of advertising vacancies as candidates visit websites to find vacancies.

B. Internal environment: Internal environment factors are also known as organizational factors. According to Kotler and Armstrong the internal environment that affect human resource practitioners comprises of customers, consumers, suppliers, compensation, new entrants and competitors. HRM professionals need to consider internal environment in the following aspects;

a. Compensation

The amount of compensation a business offers attracts employees to an organization or keeps them away. In an economy characterized by high unemployment rate and many qualified individuals, compensation may be low. When there are a small number of a candidates, HRM should attract them by increasing compensation so as not to lose them to competitors. A survey of compensation structure of an industry will help a company have competitive offers in order to gain a competitive advantage over others in terms of attracting and retaining employees. However, the offer should not be too high in such a way that they bring losses to the company.

Experienced staff should be given more compensation than recently recruited graduates in the same job category.

b. Employee Relations

Human resource activities must consider several factors like training their staff before promoting them when their recruitment policies are based on internal promotion. They should monitor retiring employees so that replacement arrangements are made in time.

c. Customers' satisfaction

Change in customer preferences need to be taken into account since this affects service delivery. HRM should hire employees who have the consumers' interest at heart. Continuous training and retraining is important in order to increase performance thereby satisfaction.

d. New entrants

These are businesses entering into an industry. New entrants offer competitive salaries that attract employees. HRM should analyze their industry in order to know new entrants. This will help them have strategies aimed at retaining in order prevent them from being poached by the new entrant.

Some of the other important internal factors which can also influence the HRM operations include the following.

a. **Organisations Size:** The size of organisation has immense impact on HR practices. Larger the firm more complex the HR practices. Large firms, such as international or multinational have additional scope to their HR implementations. To put it another way, smaller firms generally have personnel management functions, which could include either simple or less complicated. The style of management, whether autocratic or democratic depends on the size of the firms.

b. **Organisational Structure:** Organizational structure is a system used to define a hierarchy within an organization. It identifies each job, its function and where it reports to within the organisation. A firm's strategy and structure are important in determining HR practices. With increase in global competition and highly changing business environment HR practices are becoming more flexible and integrated. There are important structural differences among firms that affect the way in which HR practices are designed and implemented.

c. **Business Strategy:** To gain competitive advantage, firms use different competitive strategies. In order that the strategies prove advantageous they have to besynchronized with the HR policies.

d. **Organisation Culture:** Organizational culture is a system of shared assumptions, values, and beliefs, which direct how people behave in organizations. These shared values have a strong influence on the people in the organization and dictate how they dress, act, and perform their jobs. Every organization develops and maintains a

unique culture, which provides guidelines and boundaries for the behavior of the members of the organization.

e. **Top Management and Line Mangers:** The directives of top management and their concerns could be another factor that impact HRM practices. HRM Policies depend upon the importance which top management assign to HR function. The top managements set the course for formulation and implementation of HR activities.

f. **Power and Politics:** Organizational power and politics are crucial determinants of HR practices. While executing new policies and procedures in the organisation, the role of power and politics is assumed. HR manager has to identify the critical element of the HR practices and accurately determine their source of power.

Activity A: Go through an organisations profile or annual report and derive the factors that influence the functioning of the organisation.

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3.3 STRATEGIC HUMAN RESOURCE MANAGEMENT

According to Anthony et. al (1996) strategy can be defined as "the formulation of organizational missions, goals and objectives, as well as the action plans for achievement, that explicitly recognize the competition and the impact of outside environmental forces". The classical approach of strategy refers to the ability, capacity and readiness of the management to make long term planning to make decisions and actions to achieve the organizational goals effectively. Therefore, management can be seen as "a field that deals with managerial decisions and actions to improve the long-run performance of organizations" (Crawshaw, Budhwar& Davis, 2017). According to them, strategic management incorporates:

1. **Organizational identification**: It refers to the identification of the purpose and mission of the organization that currently exists along with the goals and objectives that an organization strives to achieve with shared values and culture.

2. **Environmental analysis**: It refers to analyzing the internal as well as the external environment in which an organization operates. In assessment and analysis of internal and external influencing factors, an organization can identify its strength, weakness, opportunities and threats prevailing in the business environment. Such an analysis is called SWOT(Strength, Weakness, Opportunity, Threats) analysis. Apart from SWOT analysis, PESTEL (political, economic, social, technological, environmental and

legal) analysis is the most used technique to analyze the macro-environment of an organization.

3. **Strategy formulation**: This aims at the identification of the basis for the firm's competitive advantage. The strategy formulation is a complex and comprehensive step as it needs to flexible enough to incorporate a dynamic and uncertain business environment.
4. **Strategy implementation**: This is to make organizational strategy meeting its desired objectives, its implementation in an effective manner is crucial. The exploitation of resources effectively, optimum utilization of management system and implementation of effective HR practices are required for the implementation of organizational strategies.
5. **Strategy evaluation**: It is an appropriate strategy is formulated and its effective implementation is made, it's an evaluation at regular interval of time is necessary to check whether the strategies are meeting their goal or not. Any deviation or variation in actual and desired result leads to corrective measure in some or all parts of strategies formulation or implementation.

All three levels of the organization i.e. corporate, business and functional area involved in strategy formulation. The corporate level of an organization defines and develops a strategy for an entire organization. The managerial decision and actions for business units are defined in strategies formulated by the business level. To support the functions or operations of business units, policies, procedures and practices are formulated under functional strategies. As HRM is one of the biggest functional areas of an organization, therefore various HR decision and strategy formulation are made at a functional level. According to Schuler (1989), three fundamental HR philosophies guide and provides values for managing the people of the organization. These are: 'accumulation', 'utilisation' and 'facilitation'. Whereas Armstrong (2006) identified four fundamental HR areas that define philosophies and policies in specific areas of HRM: (i) Employee resourcing (planning, recruitment, selection, separation, talent management), (ii) employee development (training, development, careers, performance management), (iii)employer rewards (job evaluation, compensation, incentives, benefits), and (iv) employee relations (participation, involvement, communication, health and safety).

The understanding of strategic management in the above section would now help us to assimilate the concept of strategic Human Resource Management. According to Snell (1989), all those HR activities that support and direction towards organizational strategies are called strategic human resource management. Assenting on the same, Armstrong and Long (1994) also views it as an overall direction in which an organisation would like to move to achieve its objectives through human resources.

Many times the concepts like strategic Human Resource Management and human resource strategies are considered one and something. But they are not. HRM strategy refers to central philosophy an idea to manage people of the organization by translating HR strategies into HR policies and practices

that are in alignment with the overall organizational strategies. In other words, Strategic Human Resource Management is a theoretical framework within HR strategies are formulated that forms a road map for achieving organizational objectives. According to Crawshaw, Budhwar&Ann Davis (2017) strategic HRM is "the process that links HRM policies and practices with the strategic objectives of the organization to improve performance".

Theories of Strategic HRM

In the field of Strategic Human Resource Management, two theories dominated the academic world namely; the resource-based view of Barney(1991) and the integration approach.

Berney's Theory: According to Barney (1991) the human resource management influence performance that depends on the human capital (resources) held by the organization. Human capital is the vital resource of an organisation that works for the organization and contributes toward organizational success. Though there are other vital resources held by an organisation like technology, information, finance etc.yet human resources are the only area wherein an organisation can achieve a competitive advantage. In the dynamic cut-throat competition in business, to stand alone and be strong in the market, the organization must acquire and develop those human resources that are better skilled and capable than the other competitors in the industry. To achieve a competitive advantage over other rivals, resources must be rare, valuable inimitable and non-substitutable. And with unique and valuable human resources, an organisation can achieve a competitive advantage. The three approaches that can include under resource-based view are (Crawshaw, Budhwar&Ann Davis, 2017):

1. **High-performance management**: developing several interrelated human resource processes and their implementation collectively can enhance organizational performance (Stevens, 1998).
2. **High commitment management**: organization performance can strongly be influenced and enhanced with a high level of mutual commitment and high level of trust (wood, 1996)
3. **High involvement management**: communication with employees and their involvement in the organization process develops a sense of belongingness amongst them and lead to high performance (Pil and MacDuffie, 1996).

Integration approach: as the name suggests, it is an integration or link between the HRM strategies and performance. It works on the principle that HR policies and practices under HRM must be in alignment with the overall organizational strategies. Three possible types of integration can be discussed under this theory: horizontal integration, vertical integration and combined integration.

A. Horizontal integration

Under such integration, an organisation aims at developing and reinforcing interconnected HR practices with the view that their

alignment would generate superior outputs. "Underlying this assertion is the premise that there exists a set of HR best practices that fit together and mutually reinforce each other" (Crawshaw, Budhwar&Ann Davis, 2017). In the horizontal integration, the emphasis is on the synergy between internal fit. “The concept explaining that the combined performance of a set of HR policies and practices is greater than the sum of their performance”(Crawshaw, Budhwar&Ann Davis, 2017).

The universalistic model of Delery and Doty(1996) is based on the assumptions that best HR practices are universally applicable. According to Osterman (1994) and Huselid(1995), the universalistic theorists, the assumptions of this model are:

1. The relationship between HR practices and business is linear;
2. Best HR practices can be applied universally everywhere;
3. The key to the concept is Internal Fit.

B. Vertical Integration

Vertical integration aims at developing various HR practices that are beyond the area of HRM. The basic principle of this concept is that high performance can be maintained with the right match between business strategies and HR practices. For instance, to introduce innovative behaviour within the organization, those HR practices that can encourage cooperation, interdependence and fostering creative and risk-taking behaviour are emphasized. Similarly for achieving the high-quality objectives, the quality of high reliable behaviour is sought. The contingency model of Delery and Doty(1996) expresses that external fit, best fit and strategic fit are considered to be the alternative expression of vertical fit. According to Schuler and Jackson(1987), the assumptions of this model are:

1. The relationship between HR practices and business performance is non-linear.
2. The impact of HR practices on performance varies with different level of critical contingency variables, and
3. External fit is the key concept.

C. Combined Integration

As the name suggests, combined integration is a combination of internal and external fit. Under this approach, bundles of HR practices are incorporated. Depending on the context of the organization, a different combination of HR practices may lead to higher business performances (MacDuffie, 1995). Adding to this Richardson and Thompson (1999) commented that with bundles of interrelated and complementing (horizontal integration) HR practices, a higher level of performance can be achieved with a higher level of fit with its business strategies (vertical integration). Delery and Doty (1996) termed this combined integration approach as a “configuration model”. The assumptions of the configuration model are:

1. The relationship between HR practices configuration and business performance isnon-linear,
2. HR practices with multiple configurations lead to maximal business performance, which is called equifinality,
3. The configuration is assumed to be ideal types that are theoretical constructs rather than empirically observable phenomena and (Crawshaw, Budhwar&Ann Davis, 2017)
4. The key concept is internal as well as external fit.

Activity B: Using the web resources present a caselet represting the practice of SHRM in any organisation that you are familiar with.

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3.4 INTERNATIONAL HUMAN RESOURCE MANAGEMENT

Brewster et al.(2005) stated that "in the twentieth century, the greatest challenge for both public and private sectors is to operate across the national boundaries. These challenges can be met with the good international HRM practices.''

The concept of international human resource management is about managing human resources across international boundaries. Not only the management of expatriate, but it is also about the management of people worldwide. These days almost every firm is a multinational or international firm operating around the globe. International companies operate with subsidiaries functioning worldwide having headquarter or parent company located in a particular country from where managerial functions are managed. These may be highly centralized or decentralized based on the expansion of the business. Multinational companies manage the business with several business units in different countries that are managed as a whole by the central office. The nature and scope of autonomy may vary.

The report by Welfare(2006) stated that Dr Michael Dickman from the Cranfield school of management believes that the major difference between national and international HR practices is the need to see the bigger picture. He pointed out that there is a difference in complexity levels between the two and the level of sensitivity required towards a different culture and different business environments. He argued that understanding of the local context of the business is required by the international HR managers and issues like what type of business environment is there? What are the roles of trade unions? What labour laws prevail? How these people are different and what is their learning and motivation pattern needs to be addressed?

HRM in multinational enterprises

The process of procurement, allocation, effective utilization of human resources in a multinational enterprise is called international human resource management. International human resource management is about managing human resource resources worldwide. The basic aim of international human resource management is to achieve the organizational objectives that are concerned with global goals accomplishments. A few of the objectives that an organization strives to achieve through international human resource management are: (a) achieving competitive advantage in the global markets (b) achieving efficiency, (c) meeting demands of international markets (d) achieving flexibility and adaptively to be dynamic in a short period.

Most of the human resource functions that are administered by human resource departments of MNCs are performed keeping the social, cultural, legal, economic, political and historical characteristics in mind:

- Human resource planning (HRP)
- Staffing
- Performance evaluation
- Performance evaluation
- Training and development
- Compensation and benefits
- Health and safety
- Labour relations

International HRM Functions

Planning: for the success and effective function of MNC, effective human resource planning is essential. However, the implementation of human resource planning is more complex and difficult than domestic HRM functions. The planning function of HRM must be in synchronization with the other HR functions like staffing, appraisal, and compensation systems etc.

Hiring: when an organization operates in an international market with multinational corporations, it ought to follow the local labour market rules of the subsidiaries. Hiring a local HR consultancy or hiring agency can attract the required number of the workforce for an MNC. To do so understanding labour markets and related rules are necessary. For instance, for a country like India, a multinational organization and exploit the skills and knowledge of the young workforce effectively. In underdeveloped or developing countries, an MNC might deal with a less skilled or unskilled workforce. Such a workforce can be hired at a low wage rate for less technical work.

Staffing: to coordinate and control global operations, MNCs need to have effective staffing functions. For far-flung global business operations, MNC looks for the best way to identify and select prospective candidates for a role in a job. For global business operations, the process and recruitment process

must be so effective that it can attract a good number of qualified candidates for global business assignments.

Performance appraisal: the international organization works with a diverse workforce representing varied culture. Thus culture can help in determining the nature and type of performance appraisal. For instance, in an individualistic society of the U.S.A, individual performance assessment is common. On the other hand, group performance appraisal is highly practised in Japanese and Chinese culture.

Compensation system: in the local market of subsidiaries, wage legislation and regulations, labour union demands, and cultural preferences significantly influences or determines the compensation structure of an organization. Not only the compensation system of the subsidiary must be consistent with the local wage rules and regulations, but it must also be in line with the overall business strategies and objectives.

Training: the international HR manager must develop such training programs that must fit the particular assignments and individual. The aspects that need to be considered for effective training programs are:

- Business strategies,
- Job requirements,
- Cultural similarities or differences and
- Communication with local nationals.

Activity C: Differentiate between domestic HRM functions and international HRM functions citing examples.

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Issues in International HRM

Unlike domestic HRM, international HRM is prone to have many issues that are global and affect the efficient functioning of HR practices. These can be classified as globalization, environmental impact, cultural differences, convergence or divergence of HRM practices in different countries and the approaches employed to manage expatriates.

A. Globalization

The process of integration of global economies and their markets is called globalization. It refers to developing a single international market where good and services, technology and capital can flow easily and lead to accelerated world trade. Companies that expand their operations

beyond the domestic national boundaries are called global or international companies. When an organisation expand its reach in the world market it attracts many international challenges and issues unlike what was there in a domestic location. Ulrich(1998) assumes that with globalisation, an organisation manages to share and move people, ideas, products and information globally to meet international market demands.

Bartlett and Ghoshal (1991) presented a concern that globalization leads to the problem of managing challenges of global efficiency and multinational flexibility-'the ability of an organization to manage the risks and exploit the opportunities that arise from the diversity and volatility of the global environment'. Brewster and Sparrow (2007) also presented a concern that the nature and scope of international human resource management are changing rapidly. The globalized HRM has brought a different approach to deal with HRM in large international organizations. The concept of local and global is the same but the scope of operation is quite huge in IHRM where an organisation exploits international technology, workforce, capital, products and services. Similarly, all these factors of operation are managed in the home country with a narrower scope in local HRM.

B. Environmental Impact

An organisation operating globally needs to consider and manage the business environment in which it is working. The difference inthe environment in different countries impacts business to great extent. The closed economy of China possesses different environmental challenges than an open economy like India. Thus its careful analysis and assessment are necessary. Gehart and Fang(2005) state that an environment can present different challenges to business in terms of the difference in the centrality of markets, institution, market regulations, labour-union relations, collective bargaining etc. For instance, collective bargaining as a tool for managing industrial relations is quite strengthened and practised in Europe than any other countries like the US, Canada and Japan. Works councils operate mandatorily in western Europe but not in Japan and the US. Moreover, labour cost is quite high in western Europe, Japan and the US than in China, eastern Europe and Mexico.

C. Cultural differences

Since an organisation works beyond the home country boundaries, it requires a multinational workforce to carry out the operation. These diverse workforces represent different religion, race, creed, values and belief. These varied characteristics develop a different yet unique organizational culture that needs serious attention to be managed. Hiltrop(1995) identified a few HR areas that are affected by national culture:

- decisions of what makes an effective manager;
- giving face-to-face feedback;

- readiness to accept international assignments;
- pay systems and different concepts of social justice;
- approaches to organizational structuring and strategic dynamics.

Hofstede(1980, 1991) perceived the organization as 'cultural bound. He identified four national cultural dimensions namely: uncertainty avoidance, masculinity/femininity, power distance and individualism/ collectivism. Hofstede concluded that the cultural values within the nation aresimilar to the values of individual from different nations. Taking ahead the research further, Adler(2002) claimed that in the study of Hofstede, fifty percent of the difference between employees' attitude and behaviour is found. This difference is due to national differences. On the other hand, Gerhart and Fang (2005) stated that only 2 to 4 percent was explained by the national differences.

3.5 HR ANALYTICS

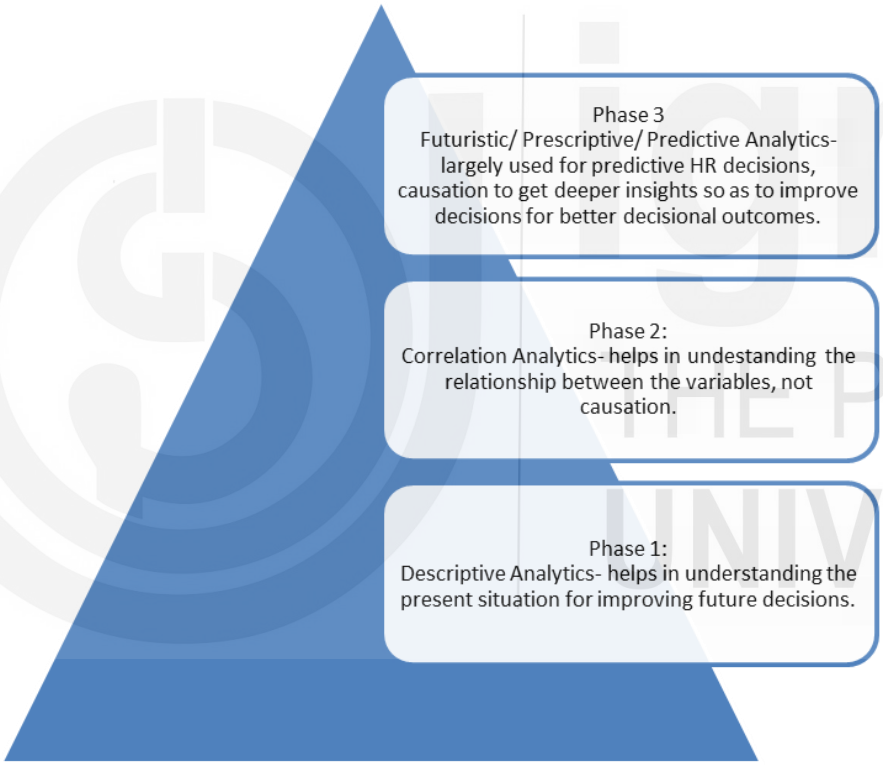
In the parlance of business, the data related to business and its analysis for decision making is what is known as business analytics. Analytics is about analysis. Thus it is bound to be associated with various formula, calculations, scientific methods and statistical techniques for analysis and thus the decision making. Business analysis has been part of operation research, economics, finance and marketing. But the business analysis in HR is the recent origin that is gaining attention at a great pace. With the introduction of data analytics, organizational decision making witnesses quite several changes. From operational decision to business and strategic decision, all have now become more predictive. Thus the entire decision-making process has become a holistic 'predictive decision-making process'. It is predictive in the sense that it is capable of predicting the outcome of a decision before its implementation. Since today's business function has started focusing more on the human resources of organization, so considerable attention has now been on the HR functions. To carry out the employees focused HR function, business analytics has been adopted giving rise to HR analytics. The HR decision tends to be more complex and broad than the other non-HR business decision. A big and successful business can turn into a catastrophe with the wrong HR decision. And such a thing can start with the wrong recruitment and selection. Wrong recruitment decision may lead to attracting less number of prospective candidates for a job leaving with less option to select. A wrong and faulty selection process may lead to introducing a mismatched employee with the organization whose, knowledge, skills, and behaviour do not match with the organizational jobs, requirement and culture. Ultimately such an employee would be a liability to an organization than a valuable asset.

Development of HR Analytics

We are all aware that the recent HR decision making is more data-driven and based on the calculations made on previous or current data. The growth and development of HR analytics have been because of the changing nature of HR decision making. With the 'predictive' perspective of HR decision making, the decision process has now become futuristic and predictive.

Therefore, HR decision making has become more holistic, integrated, scientific and strategic. Bhattacharya (2017) in his book on 'HR Analytics' discusses the various phases of development of HR analytics. He stated that in the beginning phase of HR analytics, the data-driven HR decision making is more descriptive, where HR managers understand the matrics and complexities of the HR functions and thus gradually broaden the scope of HR decision making. This helps HR managers to understand the correlation between the variable associated with HR functions. At the second or current phase of HR analytics, HR managers work on finding the causation and making the predictions. This paves the way for predictive analysis where HR managers are more futuristic and go more deeply into the factors, their causation to enhance the decision to achieve desired and effective outcomes. The following figure illustrates the various phases of the development of HR analytics suggested by Bhattacharya (2017).

Figure 1: Phases of Development of HR Analytics


Phase 3
Futuristic/ Prescriptive/ Predictive Analytics- largely used for predictive HR decisions, causation to get deeper insights so as to improve decisions for better decisional outcomes.
Phase 2:
Correlation Analytics- helps in undestanding the relationship between the variables, not causation.
Phase 1:
Descriptive Analytics- helps in understanding the present situation for improving future decisions.

Source: (Bhattacharya, 2017)

Significance of Human Resource Analytics

HR analytics helps an organization to gather various scientific facts and figures that help in the HR decision making process. The HR analytics initiates with the identification of critical areas of HR, stressing strategies and long-term issue that may affect sustainability. At the next step, available knowledge and competencies held by the organization are assessed. Before proceeding to the next step, deviations are identified. This can be done with the analysis of the organizational data. based on the result drawn with the help of various statistical and scientific tools and techniques, communication

is made to the HR managers to decide appropriate interventions. In this way,the HR analytics model operates.

To carry out operations effectively and easily, HR manager usually starts with the descriptive analysis where he/she uses the currently available data or metrics to understand the status of the HR function. Thereafter, statistical and research techniques are employed for analysis of decisional outcome.finally, HR managers introduce HR analytics in decision making to assess its influence on business outcomes and consistency with the organizational strategies. HR decisions based on data analytics is unbiased and accurate to a great tune. Decisional biases can be significantly reduced with HR analytics. Typically the 'confirmation bias' can be reduced. Quite often the decision of HR managers is biased as they are based on the available information that was bounded by their rationality. Such decision making may go wrong and yield negative consequences. For instance, HR decision that is biased may be influenced by consensus(i.e result of group thinking), the effect of time limitation(deadline to achieve target), effects due to ethics, effects of regulations and laws etc. such type of biases can be eliminated when the decision is based on HR data and HR trend analysis. (Bhattacharya, 2017) stated that *"professionally designed HR analytics make use of statistical models to predict thefuture, or the implications of current HR trends, including decisions on critical future organizational issues, such as sustainability, growth, revenues and bottom-line changes".*

Despite the introduction of technology in day to day operations of business entities, HR analytics and predictive decision making is still in a nascent stage and requires more acceptance by the HR managers. Though organizations are making a huge outlay in HR analytic based decision making, many HR managers are still apprehensive about its success and fail to align their HR decision with the strategic insights of the business. They are still accustomed to an intuitive decision-making process that has a poor success rate. Though the concept is new and emerging it is expected to bring breakthrough in HR decision making.

Activity D: Go through the available models of HR Analytics and present a synoptic view of these models.

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3.6 4TH INDUSTRIAL REVOLUTION AND HRM

The change and uncertainty is part of the normal course of business. To survive and grow in such an environment an organization need to transform it from time to time to match the change. Industries have already witnessed three industrial revolutions. The first industrial revolution introduced

machinery, steam power to run factories and mass production of goods in the mid 18th and 19th century. The second industrial revolution advances the production process with new inventions and technology such as steel mills, electric lighting, and diesel engines etc. the digital environment brought by the third industrial revolution in the 19th century with mainframe computers, semiconductors, the internet, and personal computers. The high-level concept that is gradually becoming part of our normal daily life, robotics, artificial intelligence, quantum computing, IOT, 3D printing and driverless cars are part of the 4th industrial revolution.

Every change, be it small or big influence the business to great extent. A drastic change in the industry with the introduction of new technology and complete paradigm shift poses various threats along with benefits to the business. The 4th industrial revolution has introduced the concept of robotics, artificial intelligence, quantum computing, IOT (Internet of Thing), 3-D printing, and driverless vehicles etc into our daily life and business processing. The sci-fi film like experience is now a part of our daily life. The use of robots to operate business operation has significantly saved the operating cost and has increased productivity. Tasks that were repetitive, dangerous, and time-consuming are now done by robots of artificial intelligence. Areas where business robots are used:

- Marketing
- Inventory
- Industrial manufacturing
- Entertainment
- Telecommunication

The introduction of the 4th industrial revolution has revolutionized HR functions. Now the HR managers are more inclined towards saving the cost of human resources by introducing robotics and technology to perform the functions that were earlier performed by the human. Automation of jobs, employing robots or automatic machines in the offices is now major concerns for HR managers. Although it requires careful assessing the cost and benefit of automation to the company and employees as well, the trend depicts that automation is a rapid change. Such change causing great disruption and resistance, therefore the HR department need to invest in sensitizing the employees and change the behaviour to accept the new world of work.

A white paper titled “HR4.0: Shaping People Strategies in the Fourth Industrial Revolution” published in 2019 by the World Economic Forum examines the key role of HR in defining the work and the workforce in the fourth industrial revolution. The excerpt of this paper is given below (World Economic Forum, 2019):

Box 1: HR 4.0

1. To develop new leadership capabilities for the 4th industrial revolution HR manager need to become a cultural ambassador to 'create', 'develop' and 'embed' the culture and become 'Digital HR lead'
2. Integration of technology in the workforce can be effectively managed by heading the work of "reinvention' and'reskilling and being head of 'relevance and 'purpose'.
3. The HR manager should work towards enhancing employee experience by becoming a specialist in dealing talent of employees and employing Bot monitor to analyze the talent.
4. The learning culture at the organization must be flexible and personalized. Such a culture can be maintained by the Chief Learning Officer (CLO).
5. To value the human capital of an organization, metrics need to be established where the HR manager must be head of insights and HR data scientists can be employed in an organization.
6. The organization must be characterized by its diversity and inclusion. An officer dealing with such issues can bring a substantial change in the system.

***Source*: WEF (2019)**

3.7 ARTIFICIAL INTELLIGENCE AND HRM

The introduction of science and technology is changing our personal life rapidly. So is our professional life is also getting affected due to the introduction of science and innovative concepts at the workplace. A similar kind of concept that is mushrooming by leaps and bounds these days is 'Artificial Intelligence". The term was first coined by John McCarthy in 1956. It is no more a thought to be a product of science fiction. Its application in every sphere of life, profession and industry making it a compulsory component in human resource management too.

In technical parlance, artificial intelligence is a technology that processes and generates result based on the previously collected data or previously made transactions. Human resource management is a function where these algorithms of artificial intelligence can be applied effectively to streamline processes and to enhance efficiency. The lead faculty of analytics of Northeastern University explains that "we as humans see the information in front of us and use our intelligence to conclude. Machines are not intelligent, but we can make them appear intelligent by feeding them the right information and technology." Amazon, a leading online retail giant that has lots of business on machine learning system defined artificial intelligence as "the field of computer science dedicated to solving cognitive problems commonly associated with human intelligence, such as learning, problem-solving, and pattern recognition." Machine learning is so important to Amazon, they stated, "Without Machine Learning, Amazon.com couldn't

grow its business, improve its customer experience and selection, and optimize its logistic speed and quality."

The pace at which technology like artificial intelligence is intruding into our personal and professional life, it tends to have a lasting impact on organizing and managing human resource and self. Therefore, HR professionals need to be prepared with the adoption of artificial intelligence in the HR function with utmost efficacy. The key areas in HR function where artificial intelligence leading and influencing the working are: 'Recruitment and onboarding', "employee retention and internal mobility and 'automation of administrative jobs'. AI in the recruitment process not only benefits hiring organization but also applicants with user-friendly application process and forms, AI can reduce the unnecessary bulk applications, it can help in rediscovering the right talent with the available database, it reduces time and unavoidable traditional recruitment costs. With the completion of the recruitment process with AI, onboarding can be started even outside the standard office hours, at any time, at any location by accessing the database of the chatbots remotely. This will save the time of the organization as well as newly hired.

AI also boosts the internal mobility of the employees and ensures retention. For increasing employee engagement and enhancing job satisfaction, personalized feedback surveys of employees, employee recognition systems can accurately assess and analyze the employees' performance and provide required feedback timely. With artificial intelligence, repetitive,less technical and clerical work of HR function can be automated and the HR manager can devote their efforts and time more on strategic function.

3.8 SUMMARY

Our business environment is indulged in uncertainty and diversity. Current environment not only affects the strategic function of the corporation but also the human resources of an organization. Therefore an efficient HR manager needs to understand and analyze the environment to take advantage of the growth and development of human resources as well as the organization. To do so HR professionals must be aware of strategic human resource management so that they can understand extend of influence caused on business and human resource management strategies. They must also have cognizance of international human resource management to tackle the competition in the international market and globalization. Realizing the recent trend of HR analytics, the fourth industrial revolution and artificial intelligence, HR managers need to restructure and redesign every function of human resource management.

3.9 SELF ASSESSMENT QUESTIONS

1. Explain the factors that influence organizational environment.
2. What is Strategic HRM? Discuss few theories of SHRM.

3. Discuss the importance of international HRM and its necessity in global business operations.
4. What is impact of 4th industrial revolution on HRM operations?
5. Explain how is artificial intelligence going to evolve new HRM functions citing examples.

3.10 FURTHER READINGS AND REFERENCES

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BLOCK 2
SOURCING OF HUMAN RESOURCES

BLOCK 2 SOURCING OF HUMAN RESOURCES

HR departments are responsible for attracting, developing, and retaining human resources. Human resource planning, job analysis, recruiting, selection, and socialisation are examples of specialised functions that deal with these activities. This block contains four units that focus on the aforementioned functions.

Unit-4: Human Resource Planning

Unit -5: Job Analysis, Design and Evaluation

Unit-6: Recruitment and Selection

Unit -7: Socialisation and Mobility

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UNIT 4 HUMAN RESOURCE PLANNING

Objectives

After completion of the unit, you should be able to understand:

- Nature and concept of Human Resource Planning (HRP);
- Objectives of HRP;
- Factors affecting HRP;
- Process of HRP; and
- Methods of forecasting and supply of Human Resources

Structure

4.1 Introduction

4.2 What is Human Resource Planning?

4.3 Objectives, Benefits and Need of Human Resource Planning

4.4 Determinants of Human Resource Planning

4.5 Levels of Human Resource Planning

4.6 Process of Human Resource Planning

4.7 Human Resource Demand Forecasting

4.8 Human Resource Supply Forecasting

4.9 Human Resource Gap Analysis

4.10 Human Resource Plan Operative Formulation

4.11 Responsibility of Human Resource Planning

4.12 Problems in Human Resource Planning Process

4.13 Guidelines for Effective Human Resource Planning

4.14 Summary

4.15 Self Assessment Questions

4.16 Further Readings and References

4.1 INTRODUCTION

Human Resource Planning is the most important HR function in an organisation. This is the first step after sourcing human resources in an organisation. It focuses on ensuring adequate supply of human resource, quality of human resources and effective utilization of human resources. Human Resource Planning is concerned with forecasting and projecting the requirement of human resource in the organisation. This unit shall cover the process of Human Resource Planning and the methods of forecasting and supply of human resources.

4.2 WHAT IS HUMAN RESOURCE PLANNING?

Human Resource Planning (HRP) may be defined as strategy for acquisition, utilization, development and retention of the human resources of an enterprise. The objective is to provide right human resources for the right work and optimum utilization of the existing human resources. HRP exists as a part of the planning process of business. This is the activity of the management which is aimed at co-ordinating requirements for and the availability of different types of employers. The major activities of HRP include: forecasting (future requirements), inventorying (present strength), anticipating (comparison of present and future requirements) and planning (necessary programme to meet future requirements).

Activity A: Identify one department in any company like finance, marketing and tabulate the existing human resource and future requirements of that department.

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4.3 OBJECTIVES, BENEFITS AND NEED OF HUMAN RESOURSE PLANNING

The following are the objectives of human resource planning:

1. Assessing manpower needs for future and making plans for recruitment and selection.
2. Assessing skill requirement in future for the organization.
3. Determining training and the development needs of the organization.
4. Anticipating surplus or shortage of staff and avoiding unnecessary detentions or dismissals.
5. Controlling wage and salary costs.
6. Ensuring optimum use of human resources in the organization.
7. Helping the organization to cope with the technological development and modernization.
8. Ensuring career planning of every employee of the organization and making succession programmes.
9. Ensuring higher labour productivity.

Benefits of HRP

Proper HRP results into a number of benefits. Some of them are:

a) Create a reservoir of talent;

b) Preparation for future HR needs;

c) Promote employees in a systematic manner;

d) Provide basis for HRD; and

e) Help in career and succession planning.

Need for HRP at Macro Level

Major reasons for the emphasis on HRP at macro level include:

Employment-Unemployment Situation: Though in general the number of educated unemployed is on the rise, there is acute shortage for a variety of skills. This emphasises the need for more effective recruitment and retaining people.

Technological Changes: The myriad changes in production technologies, marketing methods and management techniques have been extensive and rapid. Their effect has been profound on job contents and job contexts. These changes cause problems relating to redundancies, retraining and redeployment. All these suggest the need to plan manpower needs intensively and systematically.

Organizational Changes: In the turbulent environment marked by cyclical fluctuations and discontinuities, the nature and pace of changes in organizational environment, activities and structures affect manpower requirements and require strategic considerations.

Demographic Changes: The changing profile of the work force in terms of age, sex, litercy, technical inputs and social background have implications for HRP.

Skill Shortages: Unemployment does not mean that the labour market is a buyer's market. Organizations have generally become more complex and require a wide range of specialist skills that are rare and scarce. Problems arise when such employees leave.

Governmental Influences: Government control and changes in legislation with regard to affirmative action for disadvantaged groups, working conditions and hours of work, restrictions on women and child employment, casual and contract labour, etc. have stimulated the organizations to become involved in systematic HRP.

Legislative Controls: The days of executive fiat and 'hire and fire' policies are gone. Now legislation makes it difficult to reduce the size of an organization quickly and cheaply. It is easy to increase but difficult to shed the fat in terms of the numbers employed because of recent changes in labour law relating to lay-offs and closures. Those responsible for managing

manpower must look far ahead and thus attempt to foresee manpower problems.

Impact of Pressure Groups: Pressure groups such as unions, politicians and persons displaced from land by location of giant enterprises have been raising contradictory pressures on enterprise management such as internal recruitment and promotions, preference to employees' children, displace persons, sons of the soil etc.

Systems Concept: The spread of systems thinking and the advent of the macro- computer as part of the on-going revolution in information technology which emphasizes planning and newer ways of handling voluminous personnel records.

Lead Time: The long lead time is necessary in the selection process and for training and deployment of the employee to handle new knowledge and skills successfully.

4.4 DETERMINANTS OF HUMAN RESOURCE PLANNING

The function of HRP is dependent an various factors. These include both external and internal factors of an organisation. These factors can be considered as determinants of HRP. The figure 1 broadly outlines the determinants of HRP.

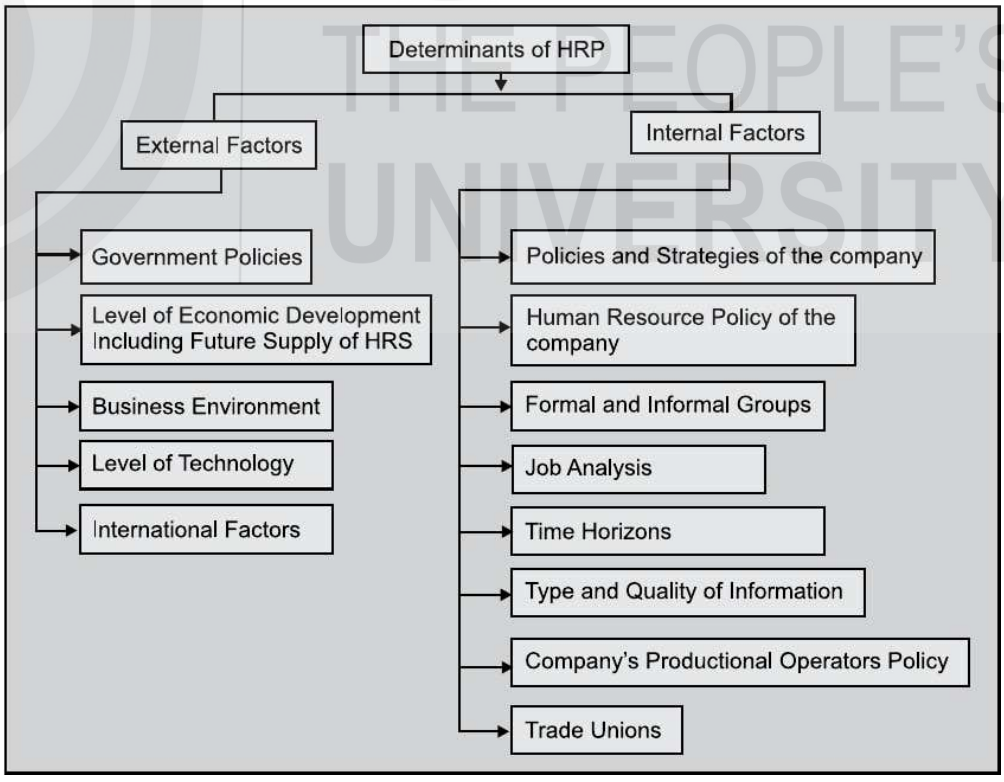

Figure 1 Determinants of HRP

External Factors

- **Government Policies**: Policies of the government like labour policy, industrial relations policy, policy towards reserving certain jobs for different communities and sons-of-the-soils, etc. affect the HRP.
- **Levels of Economic Development**: Level of economic development determines the level of HRD in the country and thereby the supply of human resources in future in the country.
- **Business Environment**: External business environmental factors influences the volume and mix of production and thereby the future demand for human resources.
- **Level of Technology**: Level of technology determines the kin d of human resources required.
- **International Factors**: International factors like the demand for the resources and supply of human resources in various countries.

Internal Factors

- **Company Policies and Strategies**: Company's policies and strategies relating to expansion diversification, alliances, etc. determines the human resource demand in terms of quality and quantity.
- **Human Resource Policies**: Human resources policies of the company regarding quality of human resource, compensation level, quality of worklife, etc. influences human resource plan.
- **Job Analysis**: Fundamentally, human resource plan is based on job analysis. Job description and job specification determines the kind of employees required.
- **Time Horizons**: companies with stable competitive environment can plan for the long run whereas the firms with unstable competitive environment can plan for only short-term range.

4.5 LEVELS OF HUMAN RESOURCE PLANNING

HRP is carried out at the different levels such as: National, Sectoral, Industry and Unit.

a) **National Level:** The Central Government plans for human resources at the national level. It forecasts the demand for and supply of human resources as a whole. For example, the Government of India specifies the objectives of HRP in successive five-year plans.

b) **Sectoral Levels:** Central and State Governments, formulate HRPs for different sectors. For example, industrial sector, agricultural sector etc.

c) **Industry Level:** HRP for specific industries are prepared by the particular industries.

d) **Unit Level:** HRP for a particular department/sector of an industry is prepared at this level. It again includes the following levels.

i) Plant level;

ii) Department level; and

iii) Divisional level.

4.6 PROCESS OF HUMAN RESOURCE PLANNING

The process of HRP is entirely based on the corporate plans and objectives. HRP is a continuous process of review, control and assessment. Figure 2 clearly indicates the HRP process.

Figure 2: HRP Process

Source: Gupta (2007)

This HRP Process focuses on the following steps.

- A talent inventory to assess current human resources and to analyze how they can be used currently
- A HR forecast to predict future HR requirements, skills required and labor supply
- Action plans to enlarge the pool of people qualified to fill the vacancies through various methods
- Review and monitoring to provide feedback on the overall effectiveness of HRP

The major stages of HRP are as follows:

a) Analysing Operational Plans

It consists of the following substages:

i) Objectives and strategic plans of the company are analyzed.

ii) Plans concerning technological, finance, production are analyzed and HRP is prepared keeping these in mind.

iii) Future plans, goals, and objectives of the company are also taken into account.

b) Human Resource Demand Forecasting

HR demand forecasting mainly involves three sub functions:

i) ***Demand Forecast:*** Process of estimating future quantity and quality of human resources required.

ii) ***Manpower Gaps:*** Depending upon the requirement existing surplus human resources having desired skills are matched, if not found then shortage is shown.

iii) ***Supply Forecast:*** Basing on the existing HR inventory and the demand forecast, the supply forecast of human resources is carried out in an organization.

In subsequent sections these steps are explained in detail.

4.7 HUMAN RESOURCE DEMAND FORECASTING

There are two **approaches** to **HR demand forecasting: quantitative and qualitative**. When focussing on human resources needs, forecasting is primarily quantitative in nature and, is carried out by highly trained specialists. Quantitative approaches to forecasting can employ statistical analytical models, and at times by simple calculations anticipations future HR requirements. Organizational demands will ultimately determine which technique is to be used. Regardless of the method, forecasting plays a major role in HRP however small or large the organisation is.

A. Quantitative Approaches

Quantitative approaches to forecasting involve the use of **statistical or mathematical** techniques Trend anlaysis modeling or multiple predictive techniques are some of the quantitative techniques used.

a. Trend Analysis- It forecasts employment requirements on the basis of some organizational index and is one of the most commonly used approaches for forecasting HR demand.

Following steps indicates the steps of trend analysis.

- **First**, select an appropriate business factor. This should be the best available predictor of human resources needs. Frequently, sales or value added (selling price minus costs of materials and supplies) is used as a predictor in trend analysis.
- **Second**, plot a historical trend of the business factor in relation to number of employees. The ratio of employees to the business factor will provide a labor productivity ratio (for example, sales per employee).

- **Third,** compare the productivity ratio for at least the past five years. Fourth, calculate human resources demand by dividing the business factor by the productivity ratio.
- **Finally**, project human resources demand out to the target year.

b. Modeling or Multiple Predictive Techniques.

Several mathematical models, with the aid of computers are also used to forecast HR needs, e.g., optimization models, budget and planning analysis.

Whereas trend analysis relies on a single factor (e.g., sales) to predict employment needs, the more advanced methods combine several factors, such as interest rates, gross national product, disposable income, and sales, to predict employment levels. While the costs of developing these forecasting methods used to be quite high, advances in technology and computer software have made rather sophisticated forecasting more affordable to even small businesses.

Qualitative Approaches

In contrast to quantitative approaches, qualitative approaches to forecasting use less statistical tools. Expert forecasts and Delphi technique are the most commonly used qualitative techniques.

a) Expert Forecasts

In this method, managers estimate future human resource requirements, their experiences and judgments to good effect.

a) **Delphi Technique**

It attempts to decrease the subjectivity of forecasts by involving a group of preselected individual and soliciting and summarizing the judgments. Thus a group decision-making process is invoked which in turn, requires a great deal of process orienta-tion to enhance coordination and cooperation for satisfactory forecasts. This method works best in situation where dynamic technological changes affect staffing levels.

Ideally, HRP should the use both quantitative and qualitative approaches while forecasting HR demand. Both the approaches complement each other, thus provide a wholesome forecast

Whatever technique one might utilize, but they need to be selected aptly and done systematically.

HR planners many times go further and analyze the demand also on the basis of workforce analysis, work load analysis and job analysis.

a. Workforce analysis to determine the rate of influx and outflow of employee. It is through this analysis one can calculate the **labor turnover rate**, **absenteeism rate**, etc. Qualitative methods go a long way in analyzing the internal flow created by promotions, transfers etc.

b. Workload analysis, calculate the numbers of persons required for various jobs with reference to a planned output. This takes into consideration factors such as absenteeism, and idle time, etc. Both quantitative and qualitative techniques are utilized for accurate results.

c. Job analysis: Job analysis helps in finding out the abilities or skills required to do the jobs efficiently. A detailed study of jobs is usually made to identify the qualifications and experience required for them. Job analysis includes two things: job description and job specification. Job description, thus, is a factual statement of the duties and responsibilities of a specific job. It gives an indication of what is to be done, how it is to be done and why it is to be done. Job specification provides information on the human attributes in terms of education, skills, aptitudes and experience necessary to perform a job effectively. This you will learn more in the next unit.

Activity B: Browse through web resources and represent the list of the demand forecasting techniques.

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4.8 HUMAN RESOURCE SUPPLY FORECASTING

After forecasting the demand of HR the obvious step is to forecast supply of HR.

Once an organization has forecast its future requirements for employees, it then goes on to the next search that is from where can it fulfill its requirements. It therefore needs to determine if there are sufficient numbers and types of employees and how many are eligible for the requisite positions. Supply analysis thus, involves planning for procurement: who, from where, how and when. It scans the internal and external environment for the best-fit candidate for the positions in demand. There are normally two sources of supply: **internal and external**.

A. Internal sources: The most popular approach to be followed by all managers is to look within the organization. Until and unless the opening is not related to immensely diversified field of which the existing workforce might not possess requisite skills, and the cost of training may be working out to be high, it is easier to go in for an internal source for recruitment. Because it is cost saving in many ways to utilize what is already available to the organization.

A profile of employee in terms of age, sex, education, training, experience, job level, past performance and future potential is

continuously maintained for use whenever required. Thus, if the requirements in terms of growth/diversification, internal movements of employees (transfer, promotions, retirement, etc.) are determined in advance then the data can be very useful.

An internal supply analysis is done with

1. **Staffing tables/manning charts**, are pictorial representations of all organizational jobs, along with the numbers of employees currently occupying those jobs and future employment requirements.
2. **Markov analysis**, shows the percentage (and actual number) of employees who remain in each job from one year to the next, thus keeping track of the pattern of employee movements through various jobs. Thus this analysis results in a composite matrix of supply.
3. **Skill inventories** list each employee's education, past work experience, etc.
4. **Replacement chart** helps to derive the profile of job holders, department-wise and reveals those who could be used as replacements whenever the need arises.

B. External sources: It is only when the cost of procuring the labour from internal sources is more and also the present staff cannot be spared for the future assignment, the company prefers to the external sources.

Therefore to summarize the following data should be available for a comprehensive supply forecast:

1. The skill base, potential trainability and current and potential productivity level of the existing work force.
2. The structure of the existing workforce in terms of age distribution, skills, hours of work, rates of pay and so on.
3. The possible changes in the productivity, size and structure of the workforce due to resignations and retirements, promotions and transfers, absenteeism and other external factors (economic and cultural), which may induce such changes.
4. The availability of the relevant skills in the external labor market for present and future use. The HR planner will have to assess and monitor factors such as: market value, image/preference of the existing labor for the company, motivation of the prospective candidates to join the company.

Activity C: Give example of the supply forecasting function of an organisation.

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4.9 HUMAN RESOURCE GAP ANALYSIS

The final stage is to balance out the demand and supply gap. The closer the gap the better it is for the company when it actually goes into procuring.

A **comparison chart** can be developed to find what is available and to what extent it can fulfill the demand forecast. This exercise helps us have an idea of the quantitative and qualitative gaps in the workforce. A **reconciliation** of demand and supply forecasts will give the number of people to be recruited or made redundant as the case may be.

In this process a company always needs to keep repeating this step as it operate in a changing environment and requiremental changes in product mix, union agreements, and competitive action are some of the important things that need special attention. The human resource requirements thus identified are translated into a concrete HR plan, backed up by detailed policies, and other human resources instruments and strategies (for example, recruitment, selection, training, promotion, retirement, replacement, etc.).

4.10 HUMAN RESOURCE PLAN OPERATIVE FORMULATION

Organisations operate in a changing environment. Consequently, Human resource requirements also change continually. Changes in product mix, union agreements, competive actions are some of the important things that need special attention. The human resource requirements identified need to be translated into a concrete HR plan, backed up by detailed policies, programmes and strategies (for recruitment, selection, training, promotion, retirement, replacement, etc.) The box 2 represents different operative sub types of plans as a result of HR planning.

Box 2: HR Operative Plan

- **Recruitment plan**: will indicate the number and type of people required and when they are needed; special plans to recruit right people and how they are to be dealt with via the recruitment programme.
- **Redeployment plan**: will indicate the programmes for transferring or retraining existing employees for new jobs.
- **Redundancy plan**: will indicate who is redundant, when and where; the plans for retaining, where this is possible; and plans for golden handshake, retrenchment, lay-off, etc.
- **Training plan**: will indicate the number of trainees or apprentices required and the programme for recruiting or training them; existing staff requiring training or retraining; new courses to be developed or changes to be effected in existing courses.
- **Productivity plan**: will indicate reasons for employee productivity or reducing employee costs through work simplification studies, mechanization, productivity bargaining; incentives and profit-sharing schemes, job redesign, etc.
- **Retention plan**: will indicate reasons for employee turnover and show strategies to avoid wastage through compensation policies; changes in work requirements and improvement in working conditions.
- **Control points**: the entire manpower plan be subjected to close monitoring from time to time. Control points be set up to find out deficiencies, periodic updating of manpower inventory, in the light of changing circumstances, be undertaken to remove deficiencies and develop future plans.

4.11 RESPONSIBILITY FOR HUMAN RESOURCE PLANNING

Top level executives are responsible for HR planning as it is one of the important factors influencing the success of an organisation. The plans are usually prepared by the Human Resource Department in consultation with other departments. The Human Resource Department offer consultation, counsel and advice to various divisional heads and coordinate the various HR estimates from time to time. Prof. Geisler outline the responsibilities of Human Resource Department in respect of HR planning as:

- Assist and counsel operating managers to plan and set objectives.
- Collect and summarise manpower data keeping long-run objectives and broad organisational interest in mind.
- Monitor and measure performance against the plan and keep top management informed about it.
- Provide proper research base for effective manpower and organisational planning.

4.12 PROBLEMS IN HUMAN RESOURCE PLANNING PROCESS

The main problems in the process of HRP are as follows:

a) ***Inaccuracy:*** HRP is entirely dependent on the HR forecasting and supply, which cannot be a cent per cent accurate process.

b) ***Employee resistance:*** Employees and their unions feel that by HRP, their workload increases so they resist the process.

c) ***Uncertainties:*** Labour absenteeism, labour turnover, seasonal employment, technological changes and market fluctuations are the uncertainties which HRP process might have to face.

d) ***Inefficient information system:*** In Indian industries, HRIS is not much strong. In the absence of reliable data it is not possible to develop effective HRP.

e) ***Time and expense:*** HRP is time consuming and expensive exercice, so industries avoid.

4.13 GUIDELINES FOR EFFECTIVE HUMAN RESOURCE PLANNING

Few guidelines to improve effectiveness of HRP process are discussed below.

a) ***Tailormade:*** HRP should be balanced with corporate objectives.

b) ***Appropriate time:*** The period of HRP process should be appropriate to the needs and circumstances of an organization.

c) ***Adequate organization:*** HRP process should be adequately/properly organized.

d) ***Top management support:*** Before starting the HRP process the support and commitment of top management should be ensured.

e) ***Participation:*** HRP will be successful if all in an organization are participating.

f) ***Information system:*** An adequate database should be developed for facilitating HRP.

g) ***Balanced focus:*** The quantity and quality should be stressed in a balanced manner.

4.14 SUMMARY

To sum up, HRP is the process of determining the number and kind of human resources required in an organization for a specific time period in future. HRP is important for an organization because of the changing scenario. HRP is formulated at various levels. The main steps involved in it are analysis of organizational plans, demand forecasting, supply forecasting and identifying manpower gaps.

4.15 SELF ASSESSMENT QUESTIONS

1) Explain the objectives of HRP.
2) Describethe process of HRP with illustrations.
3) Discuss the problems in HRP and state measures to overcome them.
4) Briefly review the forecasting techniques.

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UNIT 5 JOB ANALYSIS, DESIGN AND EVALUATION

Objectives

After studying this chapter, you will be able to understand:

- the nature, process and methods of job analysis;
- concept and uses of job design; and
- need of job evaluation

Structure

5.1 Introduction

5.2 Concept of Job Analysis

5.3 Objectives of Job Analysis

5.4 Importance of Job Analysis

5.5 Aspects of job to be analysed

5.6 Methods of Job Analysis

5.7 Techniques to obtain data for Job Analysis

5.8 Job Description and Job Specification

5.9 Job Design

5.10 Job Evaluation

5.11 Summary

5.12 Self Assessment Questions

5.13 Further Readings and References

5.1 INTRODUCTION

Job analysis is a systematic process of gathering information about work, jobs and relationships between jobs. Corporate restructuring process, quality improvement programmes, human resource planning, job design, recruitment strategies, training programmes, and succession planning are among the other HR activities that are based on job analysis.

Job analysis provides some basic information about the various jobs and skills required to perform the job effectively so that it creates and sustains organisational capability. Job descriptions and job specifications are needed to attract and select qualified employees and evaluate compensation systems and particular compensation decisions.

Apart from job analysis, this unit will focus on the concepts of job design and job evaluation.

5.2 CONCEPT OF JOB ANALYSIS

Job analysis is the fundamental process that forms the basis of all human resource activities. The importance of job analysis has been well-established for years, dating back to at least the First World War. The United States government's Uniform Guidelines on Employee Selection Procedures (1978) and the American Psychological Association's Principles for the Validation and use of Personnel Selection Procedures stipulate that job analysis is essential to the valediction of any and all major human resources activities.

In its simplest terms, a job analysis is a systematic process for gathering, documenting and analyzing date about the work required for a job. The data collected in a job analysis, and reflected through a job description, includes a description of the context and principal duties of the job, and information about the skills, responsibilities, mental models and techniques for job analysis. These include the Position Analysis Questionnaire, which focuses on generalized human behaviors and interviews, task inventories, functional job analysis and the job element method.

A job analysis provides an objective picture of the job, not the person performing the job, and as such, provides fundamental information to support all subsequent and related HR activities, such as recruitment, training, development, performance management and succession planning. Job analysis serves two critical functions with respect to these processes. Job analysis helps ensure that decisions made with respect to HR processes are good decisions i.e., fair and accurate (e.g., selection of the right person for the job, appropriate decisions about training, performance management, development, etc.) and its helps ensure the defensibility of decisions made to employee (resulting in good HR management) and to the courts (resulting in saving of costs, time and reputation).

The unit of study in job analysis may be position or a job. A "position" is the most basic structural entity in the organization, representing the collection of duties assigned to a single person. One or more similar positions, each of which is interchangeable with the others in terms of work activities, makes up a "job." In fact, a "job" has been defined (Henderson, 1979) as "work consisting of responsibilities and duties that are sufficiently a like to justify being covered by a single job analysis." It has also been defined as "a collection of position similar enough to one another in terms of their work behaviors to share a common job title "(Harvey, 1991). The linkage positions in an organization provides a roadmap and tool for translating the organization's mission, values and business priorities into results.

Why is there a need to talk in terms of positions or jobs? It is because it is necessary to identify the results individual will be accountable for when they are hired, how their work fits in or relates to other work performed in the organization, how their work should be compensated for in relation to that of others, on what basis recruitment and training should be carried out, and so on.

5.3 OBJECTIVES OF JOB ANALYSIS

The purpose of job analysis is to establish and document the 'job-relatedness' of employment procedures such as training, selection, compensation and performance appraisal.

Other important uses that job analysis can be put to are:

- indicate training needs
- put together work groups or teams
- provide information to conduct salary surveys
- provide a basis for determining a selection plan
- provide a basis for putting together recruitment
- describe the physical needs of various positions to determine the validity of discrimination complaints
- as input for organisational analysis
- as input for strategic planning
- as input for any human relations needs assessment
- as basis for coordinating safety concerns

5.4 IMPORTANCE OF JOB ANALYSIS

According to scientific management, the key to productivity is a precise understanding of the tasks that constitute a job. If the motions of workers are to become standardized and machine-like, then it is necessary to be certain about what is to be accomplished, as well as what abilities and materials are necessary to do the job. For many years, job analysis was considered the backbone of the scientific clipboards and stopwatches, was the method used to determine the most efficient way to perform specific jobs.

As the popularity of scientific management declined after World War II, however, so did the popularity of job analysis. With the new emphasis on human relations as the key to productivity job analysis was used primarily to set salary scales. But in the modern times workers and employers began to take renewed interest in this area because of concerns about two issues: unfair discrimination and comparable worth.

There are two areas where unfair discrimination in hiring can occur: in the standards set for being hired; and in the procedures used to assess the applicant's ability to meet those standards. Job analysis addresses the question of what tasks, taken together actually constitute a job. Without this information, standards for hiring may appear to be arbitrary – or worse, designed to exclude certain individual or groups from the workplace.

More recently, the issue of comparable worth has also contributed to a new interest in job analysis. Comparable worth refers to equal pay for individuals who hold different jobs but perform work that is comparable in terms of

knowledge required or level of responsibility. The major issue of the comparable worth controversy is that women who are employed in jobs that are comparable to those held by men are paid, on the average, about 65 percent of what a man would earn. In order to determine the comparability of job tasks so that salaries can also be compared, a proper job analysis is necessary. Comparable work is an issue of considerable interest to many people.

5.5 ASPECTS OF A JOB TO BE ANALYSED

Job analysis should collect information on the following areas:

- *Duties and tasks:* Information on performance of specific tasks and duties includes frequency, duration, effort, skill, complexity, equipment, standards, etc.
- *Environment:* Environment has a significant impact on physical requirements to be able to perform job that may include unpleasant conditions like extreme temperatures; some may also pose a definite risk to the personnel.
- *Tools and equipment:* These items are mentioned job analysis which are required to perform certain tasks and duties such as protective clothing
- *Relationships:* Supervision given and received, relationships with internal or external people, etc. have to be specified in job analysis
- *Requirements:* The knowledge, skills and abilities (KSA) required to perform the job must be clearly defined. While an incumbent may have higher KSA than those required for the job, a job analysis typically only states the minimum requirements to perform the job.

5.6 METHODS OF JOB ANALYSIS

Job analysis is the procedure for identifying those duties or behaviors that define a job. Aside from verifying the fairness of selection procedures, job analysis is the foundation of virtually every other area of industrial psychology, including performance appraisal, training and human factors. Additionally, job analysis is the basis of job evaluation, the procedure for setting salary scales. Figure 1 suggests some of the many uses of job analysis.

Information about jobs can be collected in a number of ways. McCormick (1976) lists the following as potential sources: observation, individual interview, group interview, technical conference, questionnaire, diary, critical incidents, equipment design information, recording of job activities, or employee records. Possible agents to do the collecting are professional job analysis, supervisors, job incumbents, or even a camera in the work-place.

Inspite of both its importance and the availability of data, however, the area of job analysis has not been studies in details. One reason for the lack of research is the nature of the data: Although qualitative information about jobs, collected through observations, is plentiful, translating this data into a quantitative form amenable to statistical analysis is often difficult.

Over time, different approaches to dealing with data of job description have been developed. Some method designed to study jobs include functional job analysis (Fine, 1974), critical incidents (Flanagan, 1954), job elements (Primoff, 1975) the Position Analysis Questionnaire (McCormick, Jeanneret, & Mecham, 1972), and the physical abilities requirement approach (Fleishman, 1975).

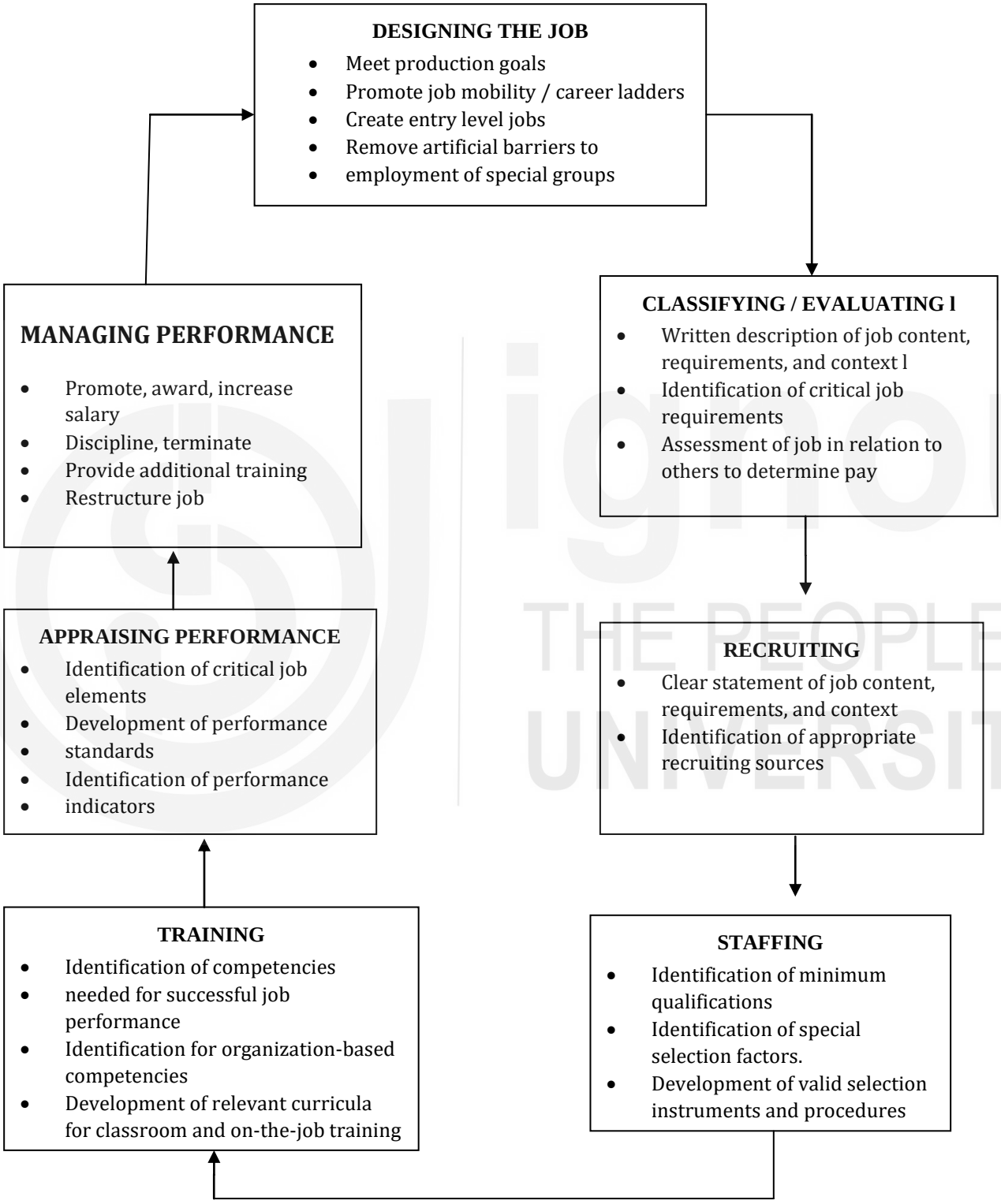
DESIGNING THE JOB
Meet production goals
Promote job mobility / career ladders
Create entry level jobs
Remove artificial barriers to
employment of special groups
CLASSIFYING / EVALUATING l
Written description of job content, requirements, and context l
Identification of critical job requirements
Assessment of job in relation to others to determine pay
RECRUITING
Clear statement of job content, requirements, and context
Identification of appropriate recruiting sources
STAFFING
Identification of minimum qualifications
Identification of special selection factors.
Development of valid selection instruments and procedures
TRAINING
Identification of competencies
needed for successful job performance
Identification for organization-based competencies
Development of relevant curricula for classroom and on-the-job training
APPRAISING PERFORMANCE
Identification of critical job elements
Development of performance
standards
Identification of performance
indicators
MANAGING PERFORMANCE
Promote, award, increase salary
Discipline, terminate
Provide additional training
Restructure job

Figure 1. Human Resource Management Cycle: Application of Job Analysis Data.

***Source*:** Bemis, S.E. Belenky, A.H, Soder, D.A. (1983).

5.7 TECHNIQUES TO OBTAIN DATA FOR JOB ANALYSIS

Information about jobs can be collected by means of questionnaire and/or interviews.

a) Questionnaires

Questionnaires, to be completed by job-holders and approved by job-holder's superiors, are useful when a large number of jobs are to be covered. They can also save interviewing time by recording purely factual information and by helping the analyst to structure his or her questions in advance to cover areas which need to be explored in greater depth.

Questionnaire should provide the following basic information:

- The job title of the job-holder.
- The title of the job-holder's superior.
- The job titles and numbers of staff reporting to the job-holder (best recorded by means of an organization chart).
- A brief description (one or two sentences) of the overall role or purpose of the job.
- A list of the main tasks or duties that the job-holder has to carry out. As appropriate, these should specify the resources controlled, the equipment used, the contacts made and the frequency with which the tasks are carried out.

b) Interview

To obtain the full flavour of a job it is usually necessary to interview job-holders and to check the findings with their superiors. The aim of the interview is to obtain all the relevant facts about the job, covering the areas listed above in the section on questionnaires.

To achieve this aim job analysts should:

1) work to a logical sequence of questions which help the interviewee to order his or her thoughts about the job;
2) pin people down on what they actually do;
3) ensure that the job-holder is not allowed to get away with vague or inflated descriptions of his or her work; and
4) obtain a clear statement from the job-holder about his or her authority to make decisions and the amount of guidance received from his or her superior.

5.8 JOB DESCRIPTION AND JOB SPECIFICATION

Job analysis is the examination of a job, its component parts and the circumstances in which it is performed. It leads to a **job description** which sets out the purpose, scope, duties and responsibilities of a job. From the job analysis and job description, a **job specification** may be derived, which is a statement of the skills, knowledge and other personal attributes required to carry out the job. Some of the uses are:

1) **Recruitment and selection**: where it is provided a basis for a specification of what the company is looking for.
2) **Training**: where by means of skills and task analysis it produces training specifications which set out training needs and are used to prepare training programmes.
3) **Job evaluation**: where by means of whole job or factor comparison, job descriptions can be compared and decisions made on the relative position of a job in the hierarchy.
4) **Performance appraisal:** where the job description resulting from job analysis is used to decide on the objectives and standards the job holder should reach against which his or her performance will be measured.
5) **Organization Planning:** as part of the process of activity

5.9 JOB DESIGN

Job design has emerged as an important area of work analysis. It is based on growing conceptual and empirical base and has commanded research attention and is being widely applied to actual practice of management.

Job design concern and approaches are considered to have begun with the scientific management movement. Pioneering scientific managers like Taylor and Gilbreth examined jobs with techniques such as time and motion analysis. Their goal was to maximize human efficiency on the job. Taylor suggested that task design might be the most important single element in scientific management.

Job designing evolved into what is popularly known as job engineering. The industrial engineering approach is basically concerned with products, process, tool design, plant layout, operating procedures, work measurement, standards, and human-machine interactions. It has also been closely associated with sophisticated computer applications involving Computer Assisted Design (CAD). These computer systems had a positive impact by reducing task and workflow uncertainty. Top management could readily perceive the immediate cost savings form job engineering, but certain behavioural aspects like quality absenteeism, and turnover were generally ignored.

In the 1950s, different methods were being adopted by practicing managers. For example, IBM job rotation and job enlargement programmes were introduced. Job enlargement programmes essentially loaded the jobs horizontally, and expanded the number of operations performed by the worker and made the job less specialized.

Job rotation programmes reduced boredom by switching people around to various jobs. Although boredom at work is still a significant problem in the last several years, attention has shifted to new demanding challenges facing employees on the job. For example, because of downsizing of organizations and increasingly advanced technology, jobs have suddenly become much more demanding and employees must differently adapt to unpredictable changes. For example, in manufacturing assembly line methods are being replaced by flexible, customized production and computer-integrated manufacturing. This new manufacturing approach requires workers to deal with an ever-increasing line of product and sophisticated technology.

In this context, job design takes on special importance in today's human resource management. It is essential to design jobs so that stress can be reduced, motivation can be enhanced, and satisfaction of employees and their performance can be improved so that organizations can effectively compete in the global market place.

Job Rotation

An alternative to boredom in work place is job rotation. Job rotation implies moving of employees form one job to another without any fundamental change in the nature of the job. The employee may be performing different jobs that are of similar nature. The advantages of job rotation may be reduced boredom, broadening of employees' knowledge and skills, and making them competent in several jobs rather than only one. However, caution needs to be exercised while shifting people frequently form one job to another, as it may cause interruption or the employee may feel alienated in a new job. Another factor is job rotation does not provide the employee any challenge on the job and, hence, those employees who are seeking challenge may feel frustrated.

Job Enlargement

Job enlargement involves adding more tasks to a job. It is a horizontal expansion and increases jobs scope and gives a variety of tasks to the jobholder. It is essentially adding more tasks to a single job. It definitely reduces boredom and monotony by providing the employee more variety of tasks in the job. Thus, it helps to increase interest in work and efficiency. In one study it was found that by expanding the scope of job, workers got more satisfaction, committed less errors, and customer service improved. However, research has provided contrary evidence also in that enlargement sometimes may not motivate an individual in the desired direction.
Job Enrichment

Job Enrichment

Another approach to designing jobs in job enrichment. In the earlier two methods, human capabilities are not being utilized to a maximum and employees are feeling frustrated. Job enrichment involves a vertical expansion of a job by adding more responsibilities and freedom to it. According to Herzberg, job enrichment is the type of expansion of a job that gives employees more challenge, more responsibility, more opportunity to grow and contribute his or her ideas to the organization's success. In other words, job enrichment increases job depth that refers to the degree of control employees have over their work.

Job enrichment basically provides autonomy while retaining accountability. It generates feeling of personal responsibility and achievement. Job enrichment certainly improves the quality of work output, employee motivation, and satisfaction.

Every organization follows specific procedures for job designing. Each procedure may be different for different jobs. Certain aspects may be kept in mind while following the job enrichment procedure.

- Increasing the responsibilities of the employees by adding a variety of tasks
- Allowing employees to set their own standards of performance.
- Providing autonomy for the employee to execute the job
- Encouraging the employees to innovate new techniques and review results
- Empowering the individual to make critical decisions in problem situations while on the job.

5.10 JOB EVALUATION

Job evaluation basically specifies the relative value of each job in an organization. It basically serves the purpose of compensation procedures. Job evaluation is a useful tool for making decisions about the compensation to be attached with a particular position. There are several systematic methods involved in the job evaluation process. These methods are discussed later in the course. What is clear is job evaluation is facilitated because of the data generated from job analysis.

5.11 SUMMARY

To sum up, this unit provided a clear understanding of the process of job analysis and the methods involved in it. All the methods discussed have some advantages and disadvantages. Keeping these in view, an efficient Job Analyst uses the required job analysis technique. Also, the concept of job design and its associated techniques have been discussed so as to improve your ability to design jobs more effectively.

5.12 SELF ASSESSMENT QUESTIONS

1) What is the relevance of job analysis in the modern times?
2) Discuss the methods used job analysis.
3) Discuss the salient features of job analysis
4) How relevant is the understanding of job design for developing organizational effectiveness.

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UNIT 6 RECRUITMENT AND SELECTION

Objectives

After completion of the unit, you should be able to:

- explain the need for spelling out job specification as the starting point for the process of selection;
- name various sources which can be used for attracting the desired types of manpower;
- state, explain and evaluate various methods of recruitment; and
- explain the purpose and types of interviews, their limitations, the need for care in using them.

Structure

6.1 Introduction

6.2 Recruitment

6.3 The Process of Recruitment

6.4 Methods of Recruitment

6.5 Selection

6.6 Selection Tests

6.7 Interview

6.8 Physical Examination

6.9 Reference Checks

6.10 Final Decision

6.11 Summary

6.12 Self Assessment Questions

6.13 Further Readings

6.1 INTRODUCTION

The most valuable asset of any large-scale organization is the high-caliber employees. Finding right people and putting them at right job is the most important challenge any organization. At the stage of Human Resource Planning, as we have already discussed in the previous unit, the human resource requirement is forecasted. Keeping in mind the forecast the function of attracting the best available talent is carried out by an organization. It involves functions like recruitment and selection, which are discussed in this unit.

6.2 RECRUITMENT

Recruitment forms the first stage in the process, which continues with the selection and ends with the placement of the candidate. It follows HR planning process. It is the art of discovering and procuring potential applicants for actual and anticipated organizational vacancies. Accordingly, the purpose of recruitment is to locate sources of manpower to meet job requirements and job specifications.

Recruitment is the process of identifying the prospective employees, stimulating and encouraging them to apply for a particular job or jobs in an organization. It is a positive action as it involves inviting people to apply. The purpose is to have an inventory of eligible persons from amongst whom proper selection of the most suitable person can be made.

Factors affecting recruitment:

- Geographical factors and employment conditions where the organization is located can become a potential factor for attracting job applications.
- Effects of past recruiting successes or otherwise is another criterion
- Policies of the organization like promotions from within also indirectly motivates the applicants
- Compensation and benefits packages offered by the organization influence the number of applications

6.3 THE PROCESS OF RECRUITMENT

Preparation for Recruitment

Before you think of inviting people to apply for a job you have to decide what types of persons are to be invited and what their characteristics should be. This calls for fixing the 'job specifications' which may also be called 'man specifications'. Job specifications are based on job escription which is dependent upon the nature and requirements of a job. Thus, job specification will be different for each job. These are already discussed in detail in the Job analysis unit.

We shall explain below the various elements of job specification.

Physical Specifications: For certain jobs some special physical features may be required. For example, for assembly of a TV set or some other electronic equipment good vision is required, for a typing job you need finger dexterity, for a heavy job you need a strong, heavy and thick-set body. The particular physical abilities and skills necessary for a given job have to be specified. These may refer to height, weight, vision, finger dexterity, voice, poise, hand and foot coordination, motor coordination, colour discrimination, age-range, etc.

Mental Specifications: These include intelligence, memory, judgement, ability plan, ability to estimate, to read, to write, to think and concentrate,

scientific faculties, arithmetical abilities, etc. Different jobs require different degrees of such abilities and the more important ones should be specified.

Emotional and Social Specifications: These include characteristics which will affect his working with others, like personal appearance, manners, emotional stability, aggressiveness, or submissiveness, extroversion or introversion, leadership, cooperativeness, initiative and drive, skill in dealing with others, socia1 adaptability, etc.

Behavioral Specifications: Certain management personnel at higher levels of management are expected to behave in a particular manner. These are not formally listed but have to be kept in mind during the process of recruitment, selection and placement.

Activity A: Please describe below particular job as carefully and precisely as you can.

.....

.....

.....

.....

.....

Please give below the ten most important elements of the above mentioned job specification. Also evaluate our employees in respect of each element and write against it whether you meet it

(a) fully, (b) substantially, (c) to some extent, or (d) not at all.

	Element	**Extent of meeting (a), (b), (c), (d)**
1)	.....	.....
2)	.....	.....
3)	.....	.....
4)	.....	.....
5)	.....	.....
6)	.....	.....
7)	.....	.....
8)	.....	.....
9)	.....	.....
10)	.....	.....

Sources of Human Resource

There are two categories of sources of supply of Human Resource—Internal and External.

Internal Sources: These include HR already on the pay-roll of the organization as also those who were once on the pay-roll of the company but who plan to return, or whom the company, would like to rehire. These include those who quit voluntarily or those on production lay-offs.

External Sources: These sources lie outside the organization, like the new entrants to the labour force without experience. These include college students, the unemployed with a wider range of skills and abilities, the retired experienced persons, and others not in the labour force, like married women as a second career option.

A policy of preferring people from within is advantageous as it improves the morale of the employees and promotes loyalty among them towards the organization. This also helps employers as they are in a better position to evaluate those already with them and as these people require no induction.

The policy of preferring internal candidates, however, suffers from some disadvantages. It may lead to inbreeding, discouraging new blood from entering an organization. If promotion is based on seniority, the real capable hands may be left out.

Likewise, there are good and bad points about external sources. These sources provide a wide market and the best selection considering skill, training and education. It also helps to bring new ideas into the organization. Moreover, this source never 'dries up'. In respect of people selected under this system, however, one has to take chances with the selected persons regarding their loyalty and desire to continue. The organization has to make larger investments in their training and induction.

You will realize now that dependence on just one of the sources is not in the interest of an organization. It must depend on both in a ratio to be fixed considering various factors.

Some of these factors are described below.

1) **Effect of the policy on the attitude and actions of all employees:** Employees, no doubt, feel more secure and identify their own long-term interest with that of the organization when they can anticipate first charge at job opportunities. The general application of the 'promotion from within' policy may encourage mediocre performance. The point to be considered here by the organization is, how important is the loyalty of the employees to it, balancing the risk of mediocre performance.

2) **The level of specialization required of employees:** The principal source in many organizations may be the ranks of the present employees who have received specialized training.

3) **The degree of emphasis on participation by employees at all levels:** New employees from outside, with no experience in the firm, may not

know enough about its service or product or processes to participate effectively, for some time at least.

4) **The need for and availability of originality and initiative within the organization:** If the organization feels that it is training its people for these qualities it may prefer its own people; if not, new people with different ideas may be taken from outside.

5) **Acceptance of seniority principle:** The policy or promotion from within will succeed only if management and employees accept the seniority principle with or without suitable modifications for promotion. If it is not accepted, selection may better be done on an open basis.

6.4 METHODS OF RECRUITMENT

All methods of recruitment can be put into three categories: (a) Direct Methods, (b) Indirect Methods, and (c) Third-Party Methods.

a) **Direct Methods** include sending recruiters to educational and professional institutions, employee contacts with public, manned exhibits and waiting lists.

Schools and Colleges: For clerical, labour and apprenticeship help, high schools can be extensively used. For technical, managerial and professional jobs, colleges, university departments and specialized institutes, like the IITs and IIMs, are used. These institutions usually have a placement officer a teacher-in-charge of placement, who normally provides help in attracting employers arranging interviews, furnishing space and other facilities and providing student resumes. The companies maintain a list of such institutions, keep in touch with them, send their brochures indicating job openings, future prospects, etc. On the basis of these students who want to be considered for the given job (s) are referred to the company recruiter.

Employees' Contact with the Public: The employees of the organization are told about the existence of particular vacancies and they bring this to the notice of their relatives, friends and acquaintances.

Manned Exhibits: The organizations send recruiters to conventions and seminars, setting up exhibition at fairs, and using mobile offices to go to the desired centres.

Waiting Lists: Many firms lean heavily on their own application files. These records list individuals who have indicated their interest in jobs, either after visiting the organization's employment office or making enquiries by mail or phone. Such records prove a very useful source if they are kept up-to-date.

b) **Indirect Methods** cover advertising in newspapers, on the radio, in. trade and professional journals, technical journals and brochures.

When qualified and experienced persons are not available through other sources, advertising in newspapers and professional and technical journals is made. Whereas all types of advertisements can be made in

newspapers and magazines, only particular types of posts should be advertised in the professional and technical journals; for example, only engineering jobs should be inserted in journals of engineering. .

A well thought-out and planned advertisement for an appointment reduces the possibility of unqualified people applying. If the advertisement is clear and to the point, candidates can assess their abilities and suitability for the position and only those who possess the requisite qualifications will apply.

c) **Third-Party Methods:** Various agencies are used for recruitment under these methods. These include commercial and private employment agencies, state agencies, placement offices of schools, colleges and professional associations, recruiting firms, management consulting firms, indoctrination seminars for college professors, friends and relatives.

Private Employment Agencies specialize in specific occupation like general office help, salesmen, technical workers, accountants, computer staff, engineers and executives, etc. These agencies bring together the employers and suitable persons available for a job. Because of their specialization, they can interpret the needs of their clients and seek out particular types of persons.

State or Public Employment Agencies, also known as Employment or Labour Exchanges, are the main agencies for public employment. They also provide a wide range of services, like counselling, assistance in getting jobs, information about the labour market, labour and wage rates, etc.

Executive Search Agencies maintain complete information records about employed executives and recommend persons of high calibre for managerial, marketing and production engineers' posts. These agencies are looked upon as 'head hunters', 'raiders', and 'pirates'.

Indoctrination Seminars for College Professors: These are arranged to discuss the problems of companies to which professors are invited. Visits and banquets are arranged so that professors may be favourably impressed and later speak well of the company and help in getting required personnel.

Friends and Relatives of Present Employees constitute a good source from which employees may be drawn. This, however, is likely to encourage nepotism, i.e. persons of one's own community or caste may only be employed. This may create problems for the organization.

Trade Unions are often called on by the employers to supply whatever additional employees may be needed. Unions may be asked for recommendations largely as a matter of courtesy and an evidence of good will and cooperation.

Professional Societies may provide leads and clues in providing promising candidates for engineering, technical and management positions. Some of these maintain mail order placement services.

Temporary Help Agencies employ their own labour force, both full-time and part- time and make them available to their client organizations for temporary needs.

Casual Labour Source is one which presents itself daily at the factory gate or employment office. Most industrial units rely to some extent on this source. This source, you will realise, is the most uncertain of all sources.

Deputation: Persons possessing certain abilities useful to another organization are sometimes deputed to it for a specified duration. Ready expertise is available but, as you can guess, such employees do not easily become part of the organization.

Activity B: a) In case you are employed recall your first appointment to the present organization and write below which of the above mentioned sources of recruitment was used by the organization.

.....

.....

.....

.....

.....

b) Think of the various sources tapped by your organization in getting employees for your Section/Department and write below in order of importance the first five. .

1) .....
2) .....
3) .....
4) .....
5) .....

6.5 SELECTION

Selection, as you have seen earlier, is the process of securing relevant information about an applicant to evaluate his qualifications, experience and other qualities with a view to matching these with the requirements of a job. It is essentially a process of picking out the man or men best suited for the organization's requirements.

The Selection Process

You would recall that selection process involves rejection of unsuitable or less suitable applicants. This may be done at any of the successive hurdles which an applicant must cross. These hurdles act as screens designed to eliminate an unqualified applicant at any point in the process. This technique is known as the 'successive hurdles technique'. Figure 1 gives these hurdles.

Yoder calls these hurdles 'go, no-go' gauges. Those who qualify a hurdle go to the next one; those who do not qualify.are dropped out. Not all selection processes, however, include these hurdles. The complexity of the process usually increases with the level and responsibility of the position to be filled. Moreover, these hurdles need not necessarily be placed in the same order. Their arrangement may differ from organisation to organization.

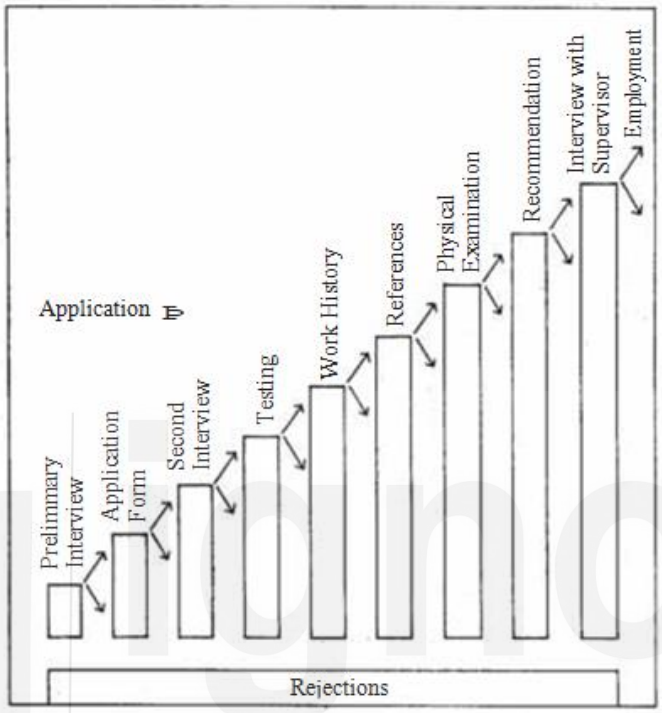

Figure 1: Successive Hurdles in the Selection Process

Initial Screening or Preliminary Interview

This is a sorting process in which prospective applicants are given the necessary information about the nature of the job and also, necessary information is elicited from the candidates about their education, experience, skill, salary expected, etc. If the candidate is found to be suitable, he is selected for further process and, if not, he is eliminated. This is a crude screening and can be done across the counter in the organization's employment offices. This is done by a junior executive in the personnel department. Due care should be taken so that suitable candidates are not turned down in a hurry. Since this provides personal contact for an individual with the company, the interviewer should be courteous, kind, receptive and informal.

When a candidate is found suitable, an application form is given to him to fill in and submit.

Application Scrutiny

You might have seen that sometimes applications are asked on a plain sheet. This is done where no application forms are designed. The applicant is asked to give details about age, marital status, educational qualifications, work experience and references. Different types of application forms may be used by the same organization for different types of employees, e.g., one for

managers, the other for supervisors and a third for other employees. Some forms are simple, general and easily answerable, while others may require elaborate, complex and detailed information. Reference to nationality, race, caste, religion and place of birth has been regarded as evidence of discriminatory attitudes and should be avoided. An application form should be designed to serve as a highly effective preliminary screening device, particularly, when applications arc received in direct response to an advertisement and without any preliminary interview.

The application can be used in two ways: (i) to find out on the basis of information contained therein as to the chances of success of the candidate in the job for which he is applying, and (ii) to provide a starting point for the interview.

It is often possible to reject candidates on the basis of scrutiny of the applications as they are found to be lacking in educational standards, experience or some other relevant eligibility and traits.

6.6 SELECTION TESTS

A test is a sample of an aspect of an individual's behavior, performance or attitude. It can also be a systematic procedure for comparing the behavior of two or more persons.

Purpose of Tests: The basic assumption underlying the use of tests in personnel selection is that individuals are different in their job-related abilities and skills and that these skills can be adequately and accurately measured.

Tests seek to eliminate the possibility of prejudice on the part of the interviewer or supervisor. Potential ability only will govern selection decisions.

The other major advantage is that the tests may uncover qualifications and talents that would not be detected by interviews or by listing of education and job expenence.

Types of Tests: The various tests used in selection can be put in to four categories: (a) Achievement or Intelligence Tests, (b) Aptitude or Potential Ability Tests, (c) Personality Tests, and (d) Interest Tests.

These tests and what they measure are described below.

a) Achievement or Intelligence Tests

These are also called 'proficiency tests'. These measure the skill or knowledge which is acquired as a result of a training programme and on the job experience. These measure what the applicant can do. These are of two types:

Test for Measuring job Knowledge: These are known as 'Trade Tests'. These are administered to determine knowledge of typing, shorthand and in operating calculators, adding machines, dictating and transcribing

machines or simple mechanical equipment. These are primarily oral tests consisting of a series of questions which are believed to be satisfactorily answered only by those who know and thoroughly understand the trade or occupation. Oral tests may be supplemented by written, picture or performance types.

Work Sample Tests: These measure the proficiency with which equipment can be handled by the candidate. This is done by giving him a piece of work to judge how efficiently he does it. For example, a typing test would provide the material to be typed and note the time taken and mistakes committed.

b) Aptitude or Potential Ability Tests

These tests measure the latent ability of a candidate to learn a new job or skill. Through these tests you can detect peculiarity or defects in a person's sensory or intellectual capacity. These focus attention on particular types of talent such as learning, reasoning and mechanical or musical aptitude..'Instruments' used are variously described as tests of 'intelligence', 'mental ability', 'mental alertness', or simply as 'personnel tests'. These are of three types:

i) ***Mental Tests:*** These measure the overall intellectual ability or the intelligence quotient (I.Q.) of a person and enable us to know whether he has the mental capacity to deal with new problems. These determine an employee's fluency in language, memory, interction, reasoning, speed of perception, and spatial visualisation.

ii) ***Mechanical Aptitude Tests:*** These measure the capacity of a person to learn a particular type of mechanical work. These are useful when apprentices, machinists, mechanics, maintenance workers, and mechanical technicians are to be selected.

iii) ***Psychomotor or Skill Tests:*** These measure a person's ability to do a specific job. These are administered to determine mental dexterity or motor ability and similar attributes involving muscular movement, control and coordination. These are primarily used in the selection of workers who have to perform semi-skilled and repetitive jobs, like assembly work, packing, testing, inspection and so on.

c) Personality Tests

These discover clues to an individual's value system, his emotional reactions, maturity and his characteristic mood. The tests help in assessing a person's motivation, his ability to adjust himself to the stresses of everyday life and his capacity for inter- personal relations and for projecting an impressive image of himself. They are expressed in terms of the relative significance of such traits of a person as self-confidence, ambition, tact, emotional control, optimism, decisiveness, sociability, conformity, objectivity, patience, fear, distrust, initiative, judgement, dominance, impulsiveness, sympathy, integrity, and stability. These tests are given to predict potential performance and success for supervisory or managerial jobs.

The personality tests are basically of three types:

i) ***Objective Tests:*** These measure neurotic tendencies, self-sufficiency, dominance, submission and self-confidence.

ii) ***Projective Tests:*** In these tests, a candidate is asked to project his own interpretation onto certain standard stimuli. The way in which he responds to these stimuli depends on his own values, motives and personality.

iii) ***Situation Tests:*** These measure an applicant's reaction when he is placed in a peculiar situation, his ability to undergo stress and his demonstration of ingenuity under pressure. These tests usually relate to a leaderless group situation, in

which some problems are posed to a group and its members are asked to reach some conclusions without the help of a leader.

d) Interest Tests

These tests are designed to discover a person's areas of interest and to identify the kind of work that will satisfy him. The interest tests are used for vocational guidance, and are assessed in the form of answers to a well-prepared questionnaire.**Limitations of Selection Tests:** From the basic description of tests described above, one should not conclude that a hundred per cent prediction of an individual's on-the- job success can be made through these tests. These tests, at best, reveal that candidates who have scored above the predetermined cut-off points are likely to be more successful than those who have scored below the cut-off point.

Tests are useful when the number of applicants is large. Moreover, tests will serve no useful purpose if they are not properly constructed or selected or administered.

Precautions in using Selection Tests: Test results can help in selecting the best candidates if the following precautions are taken:

i) Norms should be developed as a source of reference on all tests used in selection and on a representative sample of people on a given job in the same organization. This is necessary even though 'standard' tests are available now under each of the above categories. Norms developed dsewhere should not be blindly used because companies differ in their requirements, culture, organization structure and philosophy.

ii) Some 'Warm up' should be provided to candidates either by giving samples of test, and/or answering queries before the test begins.

iii) Tests should first be validated for a given organization and then administered for selection of personnel to the organization.

iv) Each test used should be assigned a weightage in the selection.

v) Test scoring, administration and interpretation should be done by persons I having technical competence and training in testing.

Activity C: a) Was any psychological test administered to you for selection or promotion?

Yes ☐ No ☐

b) If yes, can you recall at what stage of your career was it given and what were you required to do?

.....

.....

.....

.....

.....

c) Can you fit it into one of the above mentioned categories?

Stage **Required to do** **Category of Test**

First Selection as .....

Later promotion as .....

6.7 INTERVIEW

We shall now discuss the post application form interview and not the preliminary interview. Personal interview is the most universally used tool in any selection process.

Meaning and Purpose: An interview is a conversation with a purpose between one person on one side and another person or persons on the other. An employment interview should serve three purposes, viz., (i) obtaining information, (ii) giving information, and (iii) motivation. It should provide an appraisal of personality by obtaining relevant information about the prospective employee's background, training work history, education and interests. The candidate should be given information about the company, the specific job and the personnel policies. It should also help in establishing a friendly relationship between the employer and the applicant and motivate the satisfactory applicant to want to work for the company or organization.

In practice, however, it may turn out to be a one-sided affair. It helps only in obtaining information about the candidate. The other two purposes are generally not served.

Types of Interview

Informal Interview: This is may take place anywhere. The employer or a manager in the personnal department, may ask a few questions, like name, place of birth, previous experience, etc. It is not planned and is used widely when the labour market is tight

and you need workers very badly. A friend or a relative of the employer may take a candidate to the house of the employer or manager where this type of interview may be conducted.

Formal Interview: This held in a more formal atmosphere in the employment office by the employment officer with the help of well-structured questions. The time and place of the interview are stipulated by the employment office.

Planned Interview: This is a formal interview carefully planned. The interviewer has a plan of action worked out in relation to time to be devoted to each candidate, type of information to be sought, information to be given, the modality of interview and so on. He may use the plan with some amount of flexibility.

Patterned Interview: This is also a planned interview but planned to a higher degree of accuracy, precision and exactitude. A list of questions and areas are carefully prepared. The interviewer goes down the list of questions, asking them one after another.

Non-directive Interview: This is designed to let the interviewee speak his mind freely. The interviewer is a careful and patient listener, prodding whenever the candidate is silent. The idea is to give the candidate complete freedom to 'sell' himself without encumberances of the interviewer's questions.

Depth Interview: This is designed to intensively examine the candidate's background and thinking and to go into considerable detail on a particular subject to special interest to the candidate. The theory behind it is that if the candidate is found good in his area of special interest, the chances are high that if given a job he would take serious interest in it.

Stress Interview: This is designed to test the candidate and his conduct and behavior by putting him under conditions of stress and strain. This is very useful to test the behavior of individuals under disagreeable and trying situations.

Group Interview: This is designed to see how the candidates react to and against each other. All the candidates may be brought together in the office and they may be interviewed. The candidates may, alternatively, be given a topic for discussion and be observed as to who will lead the discussion, how they will participate in the discussion, how each will make his presentation and how they will react to each other's views and presentation.

Panel Interview: This is done by members of the interview board or a selection committee. This is done usually for supervisory and managerial positions. It pools thecollective judgement and wisdom of members of the panel. The candidate may be asked to meet the panel individually for a fairly lengthy interview.

Interview Rating: Important aspects of personality can be categorized under the following seven main headings:

- ***Physical Make-up:*** Health, physique, age, appearance, bearing, speech.
- ***Attainments:*** Education, occupational training and experience.
- ***Intelligence:*** Basic and 'effective'.

- ***Special Aptitudes:*** Written and oral fluency of expression, numeracy, organizational ability, administrative skill.
- ***Interests:*** Intellectual, practical, physically active, social, artistic
- ***Disposition:*** Self-reliance, nature, motivation, acceptability.
- ***Circumstances:*** Domestic, social background and experience, future prospects. This is called 'The Seven Point Plan'. The importance of each of these points will vary from organization to organization and from job to job. Hence, these should be assigned weightage according to their degree of importance for the job.

On the basis of information gathered through an interview, each candidate should be rated in respect of each point given above as: (i) outstanding, (ii) good, (iii) above average, (iv) below average or (v) unsatisfactory. Marks should be allotted to each of these, and the score for each point is arrived at by multiplying it by weights and the total of all these will determine the final position of a candidate at the interview.

Limitations of Interviews: Interviews have their own limitations in matters of selection. Some of these are mentioned below:

- Subjective judgement of the interviewer may be based on his prejudices, likes, dislikes, biases, etc.
- One prominent characteristic of a candidate may be allowed to dominate appraisal of the entire personality.
- The interviewer's experience may have created a close association between some particular trait and a distinctive type of personality.
- Some managers believe that they are good at character analysis based on some pseudo-scientific methods and are guided by their own abilities at it.

Qualities of 'Good' Interviewers as: A good interviewer should have the following qualities:

- Knowledge of the job or other things with which interviews are concerned.
- Emotional maturity and a stable personality.
- Sensitivity to the interviewee's feelings and a sympathetic attitude.
- Extrovert behavior and considerable physical and mental stamina.

Guidelines for Improving Interviews: Not all interviews are effective. Their effectiveness can be improved if the following points are kept in mind by an interviewer:

- An interview should have a definite time schedule with ample time for interview.

It should not be hurried.

- The impersonal approach should be avoided.

- Interview should have the necessary element of privacy.
- The interviewer should listen carefully to what the applicant says and the information collected should be carefully recorded either while the interview is going on or immediately thereafter.

6.8 PHYSICAL EXAMINATION

Applicant who get over one or more of the preliminary hurdles are sent for a physical examination either to the organization's physician or to a medical officer approved for the purpose.

Purposes: A physical examination serves the following purposes:

i) It gives an indication regarding fitness of a candidate for the job concerned.

ii) It discovers existing disabilities and obtains a record thereof, which may be helpful later in deciding the campany's responsibility in the event of a workman's campensation claim.

iii) It helps in preventing employment of those suffering from some type of contagious diseases.

iv) It helps in placing those who are otherwise employable but whose physical handicaps may necessitate assignment only to specified jobs.

Contents of Physical Examination: Physical examination covers the following:

- The applicant's medical history.
- His physical measurements—height, weight, etc.
- General examinatian—skin, musculature and joints.
- Specia1 senses—visual and auditory activity.
- Clinical examinatian—eyes, ears, nose, throat and teeth.
- Examinatian of chest and lungs.
- Check-up of blood pressure and heart.
- Pathological tests of urine, blood etc.
- X-ray examinatian of chest and other parts of the body.
- Neuro-psychiatric examinatian, particularly when medical histary or a physician's observations indicate an adjustment problem.

You wauld realize that the importance of these characteristics varies from job to job and, therefore, different weightages have to be given to each far an overall evaluation.

6.9 REFERENCE CHECKS

The applicant is asked to mention in his application the names and addresses of three such persons who usually know him well. These may be his previous employers, friends, or professional colleagues. They are approached by mail or telephone and requested ta furnish their frank opinion, without incurring any liability, about the candidate either on specified points or in general. They are assured that all information supplied would be kept confidential. Yet, often either no response is received or it is generally a favarable response.

6.10 FINAL DECISION

Applicants who cross all the hurdles are finally considered. If there are more persons than the number required for a job the best ones, i.e., those with the highest scores are finally selected.

6.11 SUMMARY

This unit has helped you to follow the process of selection in an organization right from the conception of an idea that a susitable person is to be put on a given job to the point of ultimately selecting the most suitable person for it, putting him at ease and making him feel at home with his fellow employees, his supervisor and the organization as a whole. It has helped you to understand the various activities involved in the process and the order in which these are carried out. It has given you insight into the various alternatives and methods of various activities and under what circumstances each is advisable. It has also helped you to realize the various precautions to be taken so that your efforts under each activity bring desired results.

6.12 SELF ASSESSMENT QUESTIONS

1) What do you understand by recruitment? Explain the process of recruitment.
2) Discuss critically the various sources of recruitments.
3) Explain the various types of tests used in selection process.
4) What are the objectives of interview? Describe the process of interview.

6.13 FURTHER READINGS

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UNIT 7 SOCIALISATION AND MOBILITY

Objectives

After completion of the unit, you should be able to:

- understand the concept of individual role and organizational socialisation;
- discuss the importance of status and socialistion;
- identify the socialisation factors and importance of job socialisation;
- explain the process of induction
- understand the concept and types of mobility and separation; and

Structure

7.1 Concept of Organizational Socialisation

7.2 Individual and the Organization: The Process of Integration

7.3 Self-concept and Organizational Socialisation

7.4 Concept of Role and Organizational Socialisation

7.5 Status and Socialisation

7.6 Sociatisation Factors in Organizational Socialisation

7.7 Induction

7.8 Mobility

7.9 Separations

7.10 Summary

7.11 Self Assessment Questions

7.12 Further Readings and References

7.1 CONCEPT OF ORGANIZATIONAL SOCIALISATION

"Socialisation refers to the process by which persons acquire the knowledge, skills, and disposition that make them more or less able members of their society". We have all undergone this process many times. Certainly, significant socialisation occurs during infancy and early childhood. We are born into this world with potential for a very wide range of behaviour, but we learn from our parents and other close associates to behave within a narrower range that is customary and acceptable. People face re-socialisation on entering the first grade, joining and athletic team or the scouts, matriculating into college, and learning their first job. With all of these early socialisation experience it might be thought that the adult should easily adapt to new social situations.

Actual and anticipatory socialisation are vitally important in all our lives. However, we can look in greater depth at one important segment,

organizational socialisation. A person will be directly involved in this process when he/she leaves college and start working career. Eventually, as managers and professionals, the person will be responsible for the socialisation of newcomers and subordinates in his/her organizations.

7.2 INDIVIDUAL AND THE ORGANIZATION: THE PROCESS OF INTEGRATION

The individual joining any organization develops new values, attitudes, and behaviour appropriate for membership. The problems associated with entrance into and adaptation to work organizations are issues of adult socialisation. In complex societies with rapid technological and sociological changes, it is imposible to socialise the young child to all future roles. Every individual must face continuing resocialisation to new situations throughout his or her life.

One of the most important periods of adult socialisation is when the individual is on the boundary of a new organization ready to become a member. Figure 1 illustrates the individual moving through the boundary to become a member. The diagram is simple but the process is complex. There is a great deal of difference between being an outsider looking in and being a full-fledged and accepted member. Most organizations select individuals who can become members - and require newcomers to behave in appropriate ways.

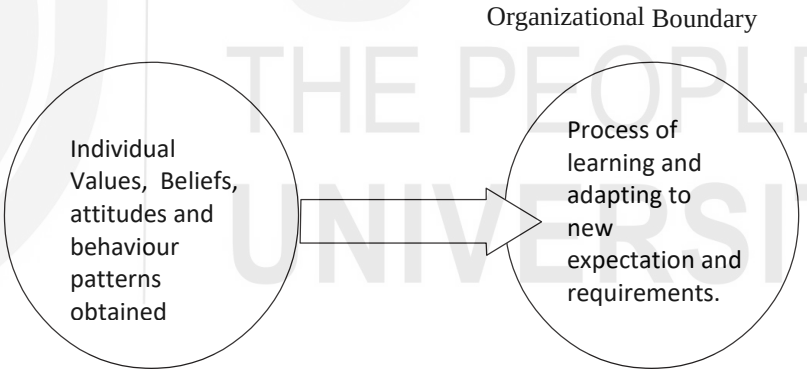
Organizational Boundary
Individual Values, Beliefs, attitudes and behaviour patterns obtained
Process of learning and adapting to new expectation and requirements.

Figure 1: The Socialisation Process

Organizational socialisation—the process of becoming an accepted member is a reciprocal process; the individual adapts, but so does the organization. Every time an organization takes in a new member too, is subject to new influences increasing likelihood of change. For example, the opening up of business and others organizations to greater participation by women and minorities not only results in the need to socialise these groups, but also require change in the organizations themselves.

Self-image and Membership

Individuals hold a certain image of themselves when entering the organization. This undergoes changes and they interact with the organization and learn new tasks and roles. The new lawyer is likely to have a significantly different self-image after she has been in the law firm for six

months than when she started. Organizational life gives opportunities to test her knowledge and skills and to assess her own strengths and weakness.

Membership often requires the development of new values appropriate to the position. To become a successful members, the individual must accommodate, at least to some degree, the goals, value and practices of the organization. The new CA fresh from examination in accounting theory and practice, may have to modify his approach significantly to fit actual organizational practices.

We have stressed here the initial process of integrating into the organization. But, just as in the world at large, the process is never complete. Later on the individual may betransferred, promoted, move to another organization, or even change careers. Technological and structural shifts may occur, task requirements may be modified, and social groups may change. All of these changes may require the resocializaton of the person into a new situation.

Interactions Between Individual and Organization

How many organizations are you member of? How many affect your life in important ways? These are simple questions but require some though. If you consider all organizations that have an influence, (direct or oblique) on your life and behavior, the list would likely be in the hundreds and still probably would not be complete.

For example, in driving to school (an organization of which you are voluntary member) your behaviour is influenced by the speed limit (a product of governmental institutions).

Never the Total Person

Although we recognize that we are in constant interaction with organizations, we should remember that they never encompass the total person. Organizations are designed to accomplish specific purposes, and they engage only a segment of a person in accomplishing these objectives. They are most interested in the specific behavior that affects individual performance in meeting these goals. A person may be a champion bowler, a great husband and father a member of the church choir, and a subscriber to Playboy, but these affiliations are likely to be irrelevant to the organization if his task is to put two bolts on the left front door of the cars coming down the assembly line. Managers are interested in having individual adapt their behavior in organizationally relevant matters. Furthermore, the work situation requires that the individual shape a vast repertoire of potential behaviours to a narrow range of specific actions. It seeks to utilize only part of a person’s skills and abilities.

This implies that there is always limited integration or socialisation of the total person into the organization. “People who perform organizational tasks must be sustained by factors outside the boundary of the organization. The organization is not the total world of the individual; it is not a society. People must fulfill other social roles; besides, society has shaped them in ways which affect their ability to perform organizational tasks. A man has a marital

status, ethnic identification, religious affiliations, a distinctive personality, friends, to name only a few .... Daily, people come contaminated into the organization". (Perrow, 1970).

Never the Total Organization

Just as the Organizational never encompasses the total, the individual does not comprehend and experience the total organization. The individual's "organizational horizon" is limited (Porter, Lawler, & Hackman, 1975). People in organizations have limited perspectives of the total organization because of differences in hierarchical level, tasks assigned, departmental affiliations, and interpersonal contacts. Moreover, different people subject to the same organizational influences may have different perceptions. It is often starting for professors who receive evaluations of their courses to find vast differences among individual responses. Some students may rate their course and instructor as excellent, while others rate it a disaster. Similarly workers performing the same task and receiving approximately the same rewards sometimes have significantly different perceptions about the leadership style and quality of the work environment. It is quite obvious that we perceive and react to new situations in different ways because of past socialisations to life and our own personalities.

7.3 SELF-CONCEPT AND ORGANIZATIONAL SOCIALISATION

When joining an organization you are not just selling your physical and mental abilities. Like it or not, you are also brining along your psychic self in the bargain. Your own self-concept plays a major part in the socialisation process.

Self-concepts is the way you perceive and judge yourself. It is your way of thinking about the kind of person you really are. Do you see yourself as a leader or follower? Do you have high need for power, achievement, or social affiliations? Are you aggressive or passive? People have the unique capacity for thinking about their own behavior and their impact on others.

Self-concept is of vital importance in the process of organizational socialisation. When the self-concept is compatible with one's organizational role and requirements, the person is likely to be motivated, oriented to task performance, and satisfied. However, when self-concept and organizational role are not compatible, then integration is difficult and motivation, performance, and satisfaction are likely to be low.

This does not imply that self-concept is totally fixed. Indeed, one of the important aspects of organizational socialisation is the potential modification in self-concept. The MBA graduate who thought of herself in passive terms may be thrust into a leadership position where she is effective and gratified.

Part of the organizational socialisation process may be learning to develop a self- concept appropriate for the new situation. "Each of us learns to construct somewhat different selves for the different kinds of situations in which we

are called on to perform, and for the different kinds or roles we are expected to take" (Schein, 1974). It is unlikely that we can change our basic personalities and value systems substantially, but we can develop new social selves in terms of new attitudes, competencies, behavior patterns and ways of relating to others in different situations. To some extent, we can redesign ourselves to fit the role requirements of new situations.

7.4 CONCEPT OF ROLE AND ORGANIZATIONAL SOCIALISATION

The idea of role comes form sociology and it is the pattern of actions expected of a person in his activities involving others. It arises as a result of the position one occupied in the social structure as he/she interacts with other people. In order to be able to coordinate his work with others in an organization, one needs some way to anticipate their behaviour as one interacts with them. Role performs this functions in the social system.

A person functions in roles both on the job and away from it, as shown in Figure 2. One person performs the occupational role of worker, the family role of father, the social role of club president, and many others. In his various roles he is both buyer and seller, boss and subordinate, a father and son, and an advisor and seeker of advice. Each role calls for different types of behaviour. Within the work environment alone, a worker has more than one role. He may be a worker in group A, a subordinate of foreman in B, and machinist, a member of a union, and a representative on the safety committee. Undoubtedly role is the most complexly organized response pattern of which a human being is capable. Activities of manager and workers a like are guided by their role perceptions, that is, how they think they are supposed to act in a given situation. Since mangers perform many different roles, they must be highly adaptive in order to change from one role to another quickly. The factory foreman's role particularly requires that he be adaptive in working with the extremes of subordinate and superior, staff and line, technical and non-technical, and education and uneducated.

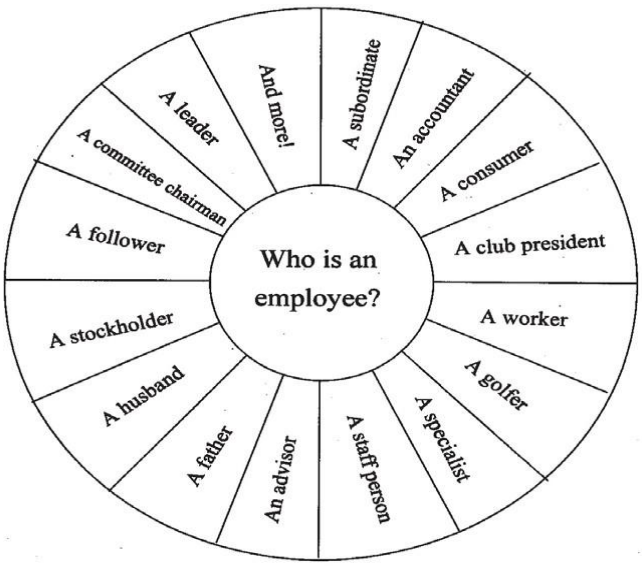

Figure 2: Multiple Roles of an Employee

A role set is the entire configuration of surrounding roles as they affect a particular role, such as the foreman's role just described. That is, all the different persons with whom the foreman interacts in this role of foreman have role expectations concerning the way in which he should act, and these expectations collectively make up the role set for his role as foreman, this role set arises partlyfrom the nature of the job itself, because managers in equivalent jobs but in different companies tend to perceive and play their roles in about the same way.

The existence of role expectations means that a manager or other person interacting with someone else needs to perceive three role values, and shown interacting with someone else needs to perceive three role values, as shown in Figure 3. First, he needs to see his own role as required by the function he is performing. Then he needs to see the role of the person he contacts. Finally, he needs to see his role as seen by the other person. Obviously he cannot meet the needs of others unless he can perceive what they expect of him. Research shows that where there is wide variance in a manager's role perception of his job and the employee's role expectations of that job, there tends to be poor motivation and inefficiency. They may even have difficulty communicating because they will not be talking about the same things in the same way. For example, difficulties may arise because a manager sees his role as that of a hard boiled pusher, but his employees expect the opposite.

When role expectations of a job are materially different or opposite, the incumbent in the job tends to be in role conflict because he cannot meet one expectation without rejecting the other. A president in one company faced role conflict, for example, when he learned that both the controller and the personnel director expected him to allocate

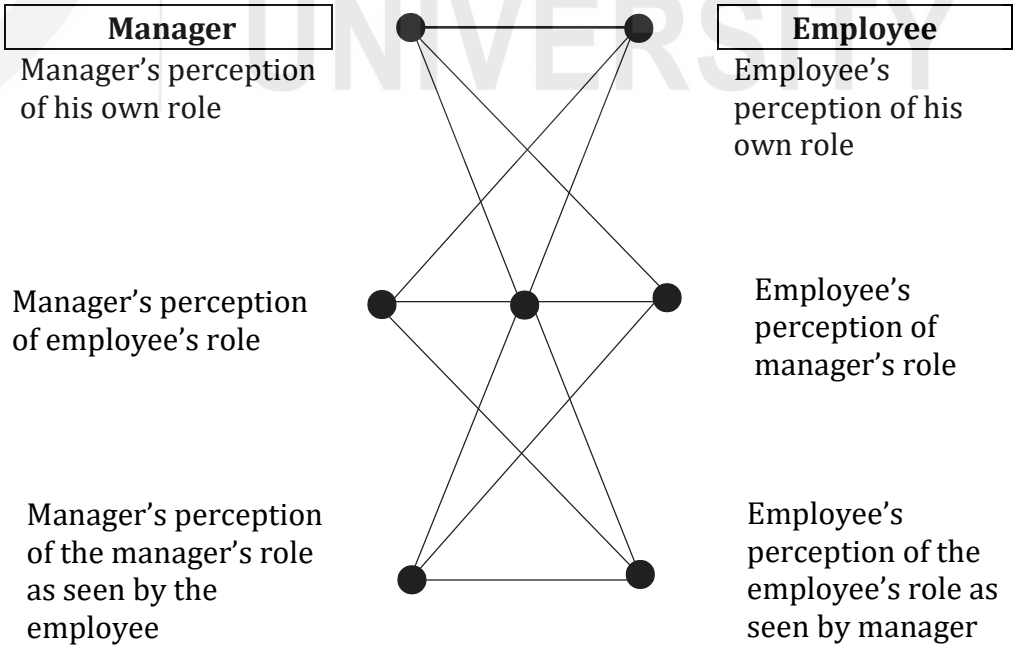
Manager
Employee
Manager's perception of his own role
Employee's perception of his own role
Manager's perception of employee's role
Employee's perception of manager's role
Manager's perception of the manager's role as seen by the employee
Employee's perception of the employee's role as seen by manager

Figure 3: Role Perceptions of a Manager and an Employee

Complex Web as they interact:The new organizational planning function to their departments. Regarding the existence of role conflict research suggests

that a manager bases his decision primarily on legitimacy (which expectations he thinks is more "right" and reasonably) and sanction (how he thinks he will be affected if he follows one expectation in preference to the other).

In case role expectations are substantially unknown because of poor communication or are inadequately defined, role ambiguity exists, and it is more difficult to predict how a person in that role will act.

From a manager's point of view, a fuller understanding of roles should help him know what others expect of him and how he should act. Knowing this he should be more adaptable to each unique role relationship. His decision making should improve because he will understand why other people are acting the way they are. He will also recognize the variety of roles each employee plays and will try to provide motivations and satisfactions for those several job roles.

7.5 STATUS AND SOCIALISATION

The social rank of a person comparison with others in a social system is referred to as status. Two kinds of status exist: formal and informal. Formal status refers to the rank of people as designated by the authority structure of an organization. Informal status refers to the social rank which others accord to a person because of their feelings toward him. It is the position which one has in an informal social system.

Status relationships need ranking and comparison, so two or more persons are required to make a status relationship. One must be higher and the other lower. Individuals are brought together in status systems or status hierarchies, which define their rank relative to others in the system. The desire for status is one of the strongest motivation forcing among people at work. The term "lose face" is often used as a synonym for loss of status in personal interaction, and its seriousness is widely recognized.

Status congruence or consistency reflects the degree of agreement among various indicators of status for a person. An employee who lacks status congruence is regarded with ambiguity and anxiety by those in this group. Usually he is not as well accepted as people do not know where to place him in their status system. In one company, for example, a very skilled young toolmaker was added to a department of older toolmakers. Though his skill merited the status they had, his age did not, and they would not accept him. He finally chose a different company having some younger toolmakers.

Loss of status is more than loss of prestige. It seriously affects personality. People, therefore, become quite responsible in order to protect and develop their status. Barnard comments, "the desire for improvement of status and especially the desire to protect status appears to be the basis of a sense of general responsibility."

Status is important only in the particular social group where the status is accorded, rather than being some general characteristic which goes wherever

a person goes. One executive recently told how he worked hard for a promotion and the status it would bring him with his friends. The promotion finally came, but it required him to move another city where he was unknown. He said that the promotion was hollow because in this new location his new friends were his peers and looked on him as "just another manager." The importance of status 'requires management to give attention to how it arises and whether management actions affect it. Some of the status influences which arise from organization are organizational level, type of work and skill in it, working conditions, pay, seniority, education etc.

7.6 SOCIALISATION FACTORS IN ORGANIZATIONAL SOCIALISATION

People coming into organization are not like raw material inputs possessing rigid specifications. No amount of quality .control and inspections will ensure that they are 99.99% perfect and uniform. They are individuals influenced by hereditary factors, previous socialisation processes, and their other life experiences. In the socialisation process, organizations are working with highly variable, heterogeneous, and somewhat imperfect human resources. To the extent that individuals have faced significantly different acculturation processes in their earlier lives, they represent different inputs to the socialisation process. Many studies have indicated that workers coming from different communities (rural versus urban), from different social classes, or who are in other ways differentiated by past socialisation have different expectations, motivations, behaviors, and satisfactions. These groups represent subcultures that prepare people differently for functioning in work organizations. Looking at these subcultures may help us understand some of the problem that result from variations in social learning among societies or among subgroups within a society (Nord, 1976).

Influence of Subcultures Relevance for Gender and Minority Issues

The phenomenon of socio-cultural divergence can be illustrated by looking at two groups in the work force: women and minorities. We are born into two broad subcultures based on gender—male or female. These are obvious physiological differences, but how much these contribute to later differences in the behavior men and women is the subject of much controversy. A good deal of evidence suggests that much dissimilarity occurs because of different socialisation process for men and women.

It is very important for the organization and the manager not to fall into habits of stereotyping different subcultures. Many people associate certain personality traits with different groups in our society. Sometimes this is useful, but more likely we find that it blinds us to really understanding the individual as the unique human being. Often, with better information we find that there are not as many differences as we expected.

There is an additional key factors when considering the socialisation process for women and minorities entering into new, higher-level positions in organizations. This is not only process of change for the newcomer, but

something requiring significant resocialisation of existing members. Not only are we modifying the values, attitudes, and behavior of the new employee, we are also asking for substantial change on the part of others in the organization. This makes the process even more difficult.

Cross-cultural Comparisons

Early socialisation processes deeply affect the expectations and behaviour of a particular people. For example, in Japan the Nenko system of lifetime commitment to and organization is often associated with centuries old behavior pattern and value orientations. This system is based on traditional Japanese values of respect for elders, the importance of family and group social systems, and mutual responsibility, loyalty and collaboration. However, the Nenko system is not universal in Japan. It is used only in the larger enterprise and does not cover temporary employees and outside contract workers.This system does appear to work well within the culture, but there are major questions about its appropriateness in other societies, such as the United States. The reverse of this is also true: many modern U.S. Corporate practices are not easily transferred to other countries. This becomes particularly evident in multinational corporations operating in a foreign country. In the organizational socialisation process abroad, we may find that we are requiring people to develop attitudes, values, and behavior patterns that are in conflict for the individual.

As we develop more varied and complex organizations and recruit people from different subcultures, we can anticipate that the socialisation process will become even more complex. Not only must individuals adjust, but the organization will have to adapt to the attitudes, beliefs, and behavior patterns that different people bring into the organization. We see an increasing possibility of having more diverse values, views, and even life styles among different participants and groups within organizations.

7.7 INDUCTION

Induction is a process through which a new employee is introduced to the organization. It's a process of welcoming the individual into the organization.

Purpose and Need

An employee has to work with fellow employees and his supervisor. For this he must know them, the way they work and also the policies and practices of the organization so that he may integrate himself with the enterprise. Any neglect in the area of induction and orientation may lead to high labour turnover, confusion, wasted time and expenditure.

Induction Programme

A good induction programme should cover the following:

- The company, its history and products, process of production and major operations involved in his job

- The significance of the job with all necessary information about it including job training and job hazards
- Structure of the organization and the functions of various departments
- Employee's own department and job, and how he fits into the organization
- HR policy and sources of information
- Company policies, practices, objectives and regulations
- Terms and conditions of service, amenities and welfare facilities
- Rules and regulations governing hours of work and over-time, safety and accident prevention, holidays and vacations, methods of reporting, tardiness and, absenteeism
- Grievance procedure and discipline handling
- Social benefits and recreation services
- Opportunities, promotions, transfer, suggestion schemes and job satisfaction.

An induction programme consists primarily of three steps:

General orientation by the staff: It gives necessary general information about the history and the operations of the firm. The purpose is to help an employee to build up some pride and interest in the organization.

Specific orientation by the job supervisor: The employee is shown the department and his place of work; the location of facilities and is told about the organization's specific practices and customs. The purpose is to enable the employee to adjust with his work and environment.

Follow-up orientation by either the personnel department or the supervisor: This is conducted within one week to six months of the initial induction and by a foreman or a specialist.

The purpose is to find out whether the employee is reasonably well satisfied with him. Through personal talks, guidance and counselling efforts are made to remove the difficulties experienced by the newcomer.

Global Placements

The HR managers take up the global placements activity which involves:

- Managing international relocation of expatriates
- Providing a variety of services for relocated employees

HR managers will generate information about employees on job related aspects, leadership skills, cultural openness and adaptation, language skills and attitude.

Out Placement

Outplacement refers to in-house help provided by organization during the transition phases of downsizing and rehabilitation. The services offered

include counselling, training, re-training, skill upgradation, etc. The services also include housing, reassignment, job placement, etc.

Placements within the Organisation

Placements within the organisations are necessary for career plans and also to address organisational changes. After initial placement, the employee will be moving to different positions and undertakes higher responsibilities. At times, there might be a geographical relocation, changes in job duties or work environment. These aspects will be dealt as promotions and transfers in the organisation.

Besides the above, there are also instances where the employee gets separated from the organisation which might be named as separations, resignations, lay-offs, downsizing, etc. These aspects also are explained in brief below.

Any type of mobility, serves the following, purposes:

- Improves organisational effectiveness
- Maximises employee efficiency
- Enables to handle change processes
- Ensures discipline

7.8 MOBILITY

Mobility is an organizational activity to cope with the changing organizational requirements like change in organizational structure, fluctuation in requirement of organizational product, introduction of new method of work etc. Mobility in an organizational context includes mainly 'promotion'and 'transfer'. Sometimes, 'demotion'also comes under mobility.

Purposes of Mobility

Mobility serve the following purposes:

a) To improve organizational effectiveness;

b) To maximise employee efficiency;

c) To cope with changes in operation; and

d) To ensure discipline.

A. Promotion

In simpler terms, promotion refers to upward movement in present job leading to greater responsibilities, higher status and better salary. Promotion may be temporary or permanent depending upon the organizational requirement. According to Clothier and Spriegel, "promotion is the transfer of an employee to a job which pays more money or one that carries some preffered status."

Purpose and Advantages of Promotion

Promotion stimulates self-development and creates interest in the job. According to Yoder, "promotion provides incentive to initiative, enterprise and ambition; minimises discontent and unrest; attracts capable individuals; necessitates logical training for advancement and forms an effective reward for loyalty and cooperation, long service etc." The purposes and advantages of promotions are to:

a) recognize employee's performance and commitment and motivate him towards better performance;

b) develop competitive spirit among employees for acquiring knowledge and skills for higher level jobs;

c) retain skilled and talented employees;

d) reduce discontent and unrest;

e) utilise more effectively the knowledge and skills of employees; and

f) attract suitable and competent employees.

Types of Promotions

Different types of promotions are discussed below.

a) ***Multiple Chain Promotion*:** It provides a systematic linkage of each position to several others. It provides multi-promotional opportunities through clearly defined avenues of approach to and exit from each position in the organization.

b) ***Up or Out Promotion*:** In this case, an employee either earns a promotion or seeks employment elsewhere. Out promotion usually leads to termination of employee and joining some other organization in a better position.

c) ***Dry Promotion*:** In this type, promotion is given in lieu of increase in salary. For example, when an university professor is made Head of the Department, there is no increase in salary.

Promotion Programme and Procedure

Every organization should make advance plans for promotion programme. A carefully planned promotion programme has four elements: a) formulation of promotion policy, b) identification of promotion channels, c) promotion appraisal, and d) centralised records.

We shall discuss each element in detail.

a) Formulation of Promotion Policy: Each organization needs to maintain a balance between the internal sources of personnel promotion and external sources by means of recruitment. Hence, promotion must be based on consistent, fair and clear cut policy. The National Institute of

Personnel Management (NIPM) has suggested a promotion policy on the following lines:

1) Encouragement of promotion within the organization instead of looking outside to fill vacancies in higher places.2)An understanding that ability as well as seniority will be taken into account in making promotions. Ability, efficiency, attitude, job performance, physical fitness, leadership, experience, and length of service are some of the factors considered in making promotions.

3) Drawing up an organization chart to make clear to all the ladder of promotion. Where there is a job analysis and a planned wage policy, such chart is quite easy to prepare.

4) Making the promotion system clear to all concerned who may initiate and handle cases of promotion. Though departmental heads may initiate promotion, the final approval must lie with the top management, after the personnel department has been asked to check from its knowledge whether any repercussion is likely to result from the proposed promotion.

5) All promotions should be for a trial period to ascertain whether the promoted person is found capable of handling the job or not. Normally, during this trial period, he draws the pay of the higher post, but it should be clearly understood that if "he does not make the grade" he will be reverted to his former post and former pay scale.

b) Promotion Channels: Promotion channels should be identified and recorded on paper. This process is related with job analysis and career planning of an organization.

c) Promotion Appraisals: The promotion of an employee is entirely dependent upon his/her performance appraisal outcome.

d) Centralised Records: The education, experience, skills, abilities and evaluation of all employees should be recorded and maintained in a centralised manner by the department of the organization, because basing on these attributes, promotion is given to an employee.

Bases of Promotion

Promotion is given on the basis of seniority or merit or a combination of both. Let us discuss each one as a basis of promotion.

***Seniority as a basis*:** It implies relative length of service in the same organization. The advantages of this are: relatively easy to measure, simple to understand and operate, reduces labout turnover and provides sense of satisfaction to senior employees. It has also certain disadvantages: beyond a certain age a person may not learn, performance and potential of an employee is not recognized, it kills ambition and zeal to improve performance.

***Merit as a basis*:** Merit implies the knowledge, skills and performance record of an employee. The advantages are: motivates competent employees to work hard, helps to maintain efficiency by recognizing talent and performance. It

also suffers from certain disadvantages like: difficulty in judging merit, merit indicates past achievement, may not denote future potential and old employees feel insecure.

***Seniority-cum-Merit as basis*:** As both seniority and merit as basis suffer from certain limitations, therefore, a sound promotion policy should be based on a combination of both seniority and merit. A proper balance between the two can be maintained by different ways: minimum length of service may be prescribed, relative weightage may be assigned to seniority and merit and employees with a minimum performance record and qualifications are treated eligible for promotion, seniority is used to choose from the eligible candidates.

Activity A: a) Note down the promotion policy of a Government organization, a Public Sector Undertaking and Private organization with which you are familiar.

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b) Make a comparison of the above mentioned three.

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Promotion Practice in India

In India, seniority is generally used for promotion in Government offices. In public sectors, both seniority and seniority-cum-merit promotion system is carried based on their policy. In private sectors, the policy by and large is 'promote the best man available'.

B. Demotion

Demotion refers to the lowering down of the status, salary and responsibilites of an employee. Demotion is used as a disciplinary measure in an organization. The habitual patterns of behaviour such as violation of the rules and conduct, poor attendance record, insubordination where the individuals are demoted. Beach (1975) defines demotion as "the assignment of an individual to a job of lower rank and pay usually involving lower level of difficulty and responsibility".

Causes of Demotion

Demotion may be caused by any of these factors:

a) ***Adverse business conditions*:** Employees may be demoted because of recession faced by company.

b) ***Incompetency of the employee*:** It happens when an employee finds it difficult to meet the required standard.

c) ***Technological changes*:** When employee is unable to adjust with any technological change made by the company.

d) ***Disciplinary measure.***

Demotion Policy

Yoder, Heneman, Turnbull and Stone (1958) have suggested a five fold policy with regard to demotion practice.

i) A clear and reasonable list of rules should be framed, violations of which would subject an employee to demotion;

ii) This information should be clearly communicated to employees;

iii) There should be a competent investigation of any alleged violation;

iv) If violations are discovered, there should be a consistent and equitable application of the penalty, preferably by the immediate supervisor;v) There should be a provision for review. (In a unionised case, this will be automatic via the grievance procedure; in a non-unionised case, the employer will need to make other provisions for review).

Activity B: Take on account of the demotion policy of any organization and give a brief note on that.

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C. Transfer

A transfer is a horizontal or lateral movement of an employee from one job, section, department, shift, plant or position to another at the same or another place where his salary, status and responsibility are the same. Yoder and others (1958) define transfer as "a lateral shift causing movement of individuals from one position to another usually without involving marked change in duties, responsibilities, skills needed or compensation". Transfer may be initiated either by the company or the employee. It also can be temporary or permanent.

Purposes of Transfer

Transfers are generally affected to build up a more satisfactory work team and to achieve the following purposes;

i) To increase the effectiveness of the organization

ii) To increase versatility and competence of key positions

iii) To deal with fluctuations in work requirements

iv) To correct incompatibilties in employee relations

v) To correct erroneous placement

vi) To relieve monotony

vii) To adjust workforce

viii) To punish employees

Types of Transfers

Employee transfers may be classified as below.

a) Production transfers: Such transfers are made to meet the company requirements. The surplus employees in one department/section who are efficient might be absorbed in other place where there is a requirement. Such transfers help to stabilise employment.

b) Replacement transfers: This takes place to replace a new employee who has been in the organization for a long time and thereby giving some relief to an old employee from the heavy pressure of work.

c) Versality transfers: It is also know as rotation. It is made to develop all round employees by moving them from one job to another. It also helps to reduce boredom and monotony.

d) Personnel or remedial transfers: Such a transfer is made to rectify mistakes in selection and placement. As a follow up, the wrongly placed employee is transferred to a more suitable job.

e) **Shift transfers:** This is pretty common where there is more than one shift and when there is regularised rotation.

Transfer Policy

Every organization should have a fair and impartial transfer policy which should be known to each employee. The responsibility for effecting transfers is usually entrusted to an executive with power to prescribe the conditions under which requests for transfers are approved. Care should be taken to ensure that frequent or large-scale transfers are avoided by laying down adequate selection and placement procedures for the purpose. A good transfer policy should:

i) Specifically clarify the types of transfers and the conditions under which these will be made;

ii) Locate the authority in some officer who may initiate and implement transfers;

iii) Indicate whether transfers can be made only within a sub-unit or also between departments, divisions/plants;

iv) Indicate the basis for transfer, i.e., whether it will be based on seniority or on skill and competence or any other factor;

v) Decide the rate of pay to be given to the transferee;

vi) Intimate the fact of transfer to the person concerned well in advance;

vii) Be in writing and duly communicated to all concerned;

viii) Not be made frequently and not for the sake of transfer only.

Activity C: Present a brief not on the transfer policy of an organization along with citing the total number of transfer cases of last few years.

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7.9 SEPARATIONS

Separation means cessation of service with the organization for one or other reason. It may occur due to resignation, retirement, dismissal, suspension, layoff or death.

a) Resignation

Resignation or quit is a voluntary separation initiated by the employee. It may be on grounds of health, marriage, better opportunities elsewhere or may be compulsory when an employee is asked to resign to avoid termination. Some resignations may enable the organization to rectify mistakes in hiring of employees and to bring in fresh talent from outside. However, excess turnover is costly for the organization. Hence, to find out the real causes of resignation so that appropriate actions may be taken to prevent avoidable resignations, HR department conduct 'Exit Interview' with the employee who is leaving the organization. The main requirements of a successful exit interview are as following:

i) Win the employee's confidence by assuring him that whatever he says will be kept strictly confidential.

ii) Explain to the employee that the purpose of the interview is to improve the organization's climate.

iii) The interview should be conducted by a responsible officer from the personnel department.

iv) The interview should show a great deal of patience and listen sympathetically.

v) Try to find out the real cause of resignation and ensure that the employee has fully handed over the charge to somebody else.

vi) Assure the employee of the company's continuing interest in his welfare.

b) **Retirement**

Retirement is a significant milestone in the life of an employee. It is the main cause of separation of employees from the organization. Retirement is of three kinds:

i) ***Compulsory Retirement:*** An employee must retire after attaining the specified age. In Government office the retirement age is 58 years whereas in the private sector the age is generally 60 years.

ii) ***Premature Retirement:*** An employee may retire before attaining the specified age due to bad health, physical disability, family problem, etc. He gets the full benefit of retirement provided the management allows premature retirement.

iii) ***Voluntary Retirement:*** When an organization wants to cut down its operations or to close forever, it may give an option to its employees with a certain minimum service for voluntary retirement in return for a lumpsum payment. This type of retirement is called *Golden Hand Shake.*

c) Dismissal

Dismissal is the termination of services of an employee by way of punishment for misconduct or unsatisfactory performance. It is a drastic step taken by employer. The principle of natural justice is followed for this. Before dismissal, an employee is given an opportunity to explain his conduct and to show cause why he should not be dismissed.

d) Suspension

Suspension is a serious punishment and is generally awarded only after a proper enquiry has been conducted. For reasons of discipline, a workman may be suspended without prejudice during the course of an enquiry. During suspension, the employee receives a subsistence allowance.

e) Retrenchment

Retrenchment means permanent termination of service of an employee for economic reasons in a going concern. The Industrial Disputes Act, 1947 defines retrenchment as the "termination by the employer of the services of workman for any reason other than termination of services as punishment given by way of disciplinary action, or retirement either voluntary or reaching age of superannuation, or continued ill-health or the closure and winding up of a business". The Act lays down the following conditions for retrenchment.

i) The employee must be given one month's notice in writing indicating the reasons for retrenchment or wages in lieu of such notice.

ii) The employee must be paid compensation equal to 15 days for every completed year of service.

iii) Notice in the prescribed manner must be served on the appropriate Government authority.

iv) In the absence of any agreement to the contrary, the worker employed last must be terminated first.

v) Retrenched workers must be given preference in future employment.

f) Layoff

Layoff implies temporary removal of an employee from the payroll of the organization due to circumstances beyond the control of the employer. It may last for an indefinite period. But the employee is not terminated and is expected to be called back in future. The employer employee relationship does not come to an end but is merely suspended during the period of layoff. It is temporary denial of employment. The purpose of layoff is to reduce the financial burden on the organization when the human resources cannot be utilized profitabily. Under Section 2(KKK) of the Industrial Disputes Act, 1947, layoff is defined as "the failure, refusal or inability of an employer, on account of shortage of coal, power or raw materials or accumulation of stocks or breakdown of machinery or by any other reason, to give employment to a workman whose name appears on the muster rolls of his industrial establishment and who has not been retrenched". Layoff is restored in cyclical and seasonal industries. In mines workers are laid off due to excess of inflammable gas, flood, fire and explosion.

According to Section 25(c) of the Industrial Disputes Act, 1947, a laidoff worker is entitled to compensation equal to 50 per cent of the basic wages and dearness allowance that would have been payable to him had he not been laidoff. However, in order to claim this compensation, the laidoff workman must satisfy the following conditions:

a) he should not be a badli or a casual worker,

b) his name must appear on the muster rolls of the industrial establishment,

c) he must have completed not less than one year of continuous service, and

d) he must present himself for work at the appointed time during normal working hours at least once a day.

The right to compensation is lost if the worker refuses to accept alternative employment at a place within 5 miles of the establishment from which he has been laid off. No compensation is payable when the layoff in due to strike or slowing down of production on the part of workers in another part of the establishment. An industrial establishment of a seasonal character or in which work is performed only intermittently or which employs less than 20 workers is not required to pay the compensation.

7.10 SUMMARY

To sum up, in this unit we have discussed three important functions of an organisation: Socialisation, Induction, Mobility and Separation. We have touched upon the individual role and job concept of socialisation. Mobility is

the transfer of employees to cope up with changing organisational requirements. Mobility takes place in different forms like promotion, transfer and demotion. Separation means cessation of service for organisational or personal or some other reason. It may occur due to resignation, retirement, dismissal, suspension, lay off or death.

7.11 SELF ASSESSMENT QUESTIONS

1) What does one gain by perceiving organizations as social systems?

2) Discuss how motivation patterns, role, and status have influenced your interactions with others today. What is your primary motivation pattern?

3) Discuss the statement: A manager cannot satisfy a worker only as an "employee "because each worker has many work roles.

4) Explain the process of induction and its importance.

5) Discuss different forms of mobility.

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BLOCK 3
PERFORMANCE AND COMPENSATION MANAGEMENT

BLOCK 3 PERFORMANCE AND COMPENSATION MANAGEMENT

It is critical to design a good career development plan and manage employee remuneration in order to keep, retain, and utilise human resources. This block has four units to help you understand these functions.

Unit 8: Performance Appraisal

Unit 9: Career Development

Unit 10: Training and Development

Unit 11: Compensation and Rewards Management

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UNIT 8 PERFORMANCE APPRAISAL

Objectives

After completion of the unit, you should be able to:

- understand the concept of performance appraisal;
- explain the performance appraisal process;
- discuss the benefits of appraisal;
- describe various appraisal methods; and
- understand the problems in appraisal.

Structure

8.1 Introduction
8.2 Concept of Performance Appraisal
8.3 Goals of Performance Appraisal
8.4 Objectives of Performance Appraisal
8.5 The Performance Appraisal Process
8.6 Benefits of Performance Appraisal
8.7 Performance Appraisal Methods
8.8 Performance Counselling
8.9 Problems in Performance Appraisal
8.10 Effective Performance Appraisal
8.11 Potential Appraisal
8.12 Summary
8.13 Self Assessment Questions
8.14 Further Readings

8.1 INTRODUCTION

Performance appraisal helps organizations to determine how employees can help to achieve the goals of organizations. It has two important activities included in it. First has to do with determining the performance and other with the process of evaluation. In this unit, concept of performance appraisal and the processes involved in it have been discussed.

8.2 CONCEPT OF PERFORMANCE APPRAISAL

a) **What is Performance?**

What does the term performance actually mean? Employees are performing well when they are productive. Productivity implies both concern for effectiveness and efficiency, effectiveness refers to goal accomplishment. However it does not speak of the costs incurred in reaching the goal. That is

where efficiency comes in. Efficiency evaluates the ratio of inputs consumed to outputs achieved. The greater the output for a given input, the greater the efficiency. It is not desirable to have objective measures of productivity such as hard data on effectiveness, number of units produced, or percent of crimes solved etc and hard data on efficiency (average cost per unit or ratio of sales volume to number of calls made etc.).

In addition to productivity as measured in terms of effectiveness and efficiency, performance also includes personnel data such as measures of accidents, turnover, absences, and tardiness. That is a good employee is one who not only performs well in terms of productivity but also minimizes problems for the organisation by being to work on time, by not missing days, and by minimizing the number of work-related accidents.

b) **What is Appraisal?**

Appraisals are judgments of the characteristics, traits and performance of others. On the basis of these judgments we assess the worth or value of others and identify what is good or bad. In industry performance appraisal is a systematic evaluation of employees by supervisors. Employees also wish to know their position in the organization. Appraisals are essential for making many administrative decisions: selection, training, promotion, transfer, wage and salary administration etc. Besides they aid in personnel research.

Performance Appraisal thus is a systematic and objective way of judging the relative worth of ability of an employee in performing his task. Performance appraisal helps to identify those who are performing their assigned tasks well and those who are not and the reasons for such performance.

8.3 GOALS OF PERFORMANCE APPRAISAL

Conducting performance appraisals on employee's performance should be more than a simple checklist of Do's and Don'ts. Performance evaluation should serve as a vital component, one that is of interest to both the organization and the employee. From the organizational perspective, sound performance appraisals can ensure that correct work is being done, work that assists in meeting department goals simply put. Each employee's work should support the activities needed to action his or her supervisor's performance objectives. This should ultimately continue up the hierarchy, with all efforts supporting corporate strategic goals. From the employee perspective, properly operating performance appraisal systems provide a clear communication of work expectations. Knowing what is expected is a first step in helping one to cope better with the stress usually associated with a lack of clear direction. Secondly, properly designed performance appraisals should also serve as a means of assisting an employee's personal development.

To make effective performance appraisals a reality, four criteria need to be present. These are:

a) Employees should be actively involved in the evaluation and development process.

b) Supervisors need to enter performance appraisals with a constructive and helpful attitude.

c) Realistic goals must be mutually set.

d) Supervisors must be aware, and have knowledge of the employee's job and performance.

8.4 OBJECTIVES OF PERFORMANCE APPRAISAL

Performance appraisal has a number of specific objectives. These are given below:

a) To review past performance;

b) To assess training needs;

c) To help develop individuals;

d) To audit the skills within an organizations;

e) To set targets for future performance;

f) To identify potential for promotion.

Some employees may believe that performance appraisal is simply used by the organization to apportion blame and to provide a basis for disciplinary action. They see it as a stick that management has introduced with which to beat people. Under such situations a well thought out performance appraisal is doomed to failure. Even if the more positive objectives are built into the system, problems may still arise because they may not all be achievable and they may cause conflict. For Example, an appraise is less likely to be open about any shortcomings in past performance during a process that affects pay or promotion prospects, or which might be perceived as leading to disciplinary action. It is therefore important that performance appraisal should have specific objective. Not only should the objectives be clear but also they should form part of the organization's whole strategy. Thus incorporating objectives into the appraisal system may highlight areas for improvement, new directions and opportunities.

8.5 THE PERFORMANCE APPRAISAL PROCESS

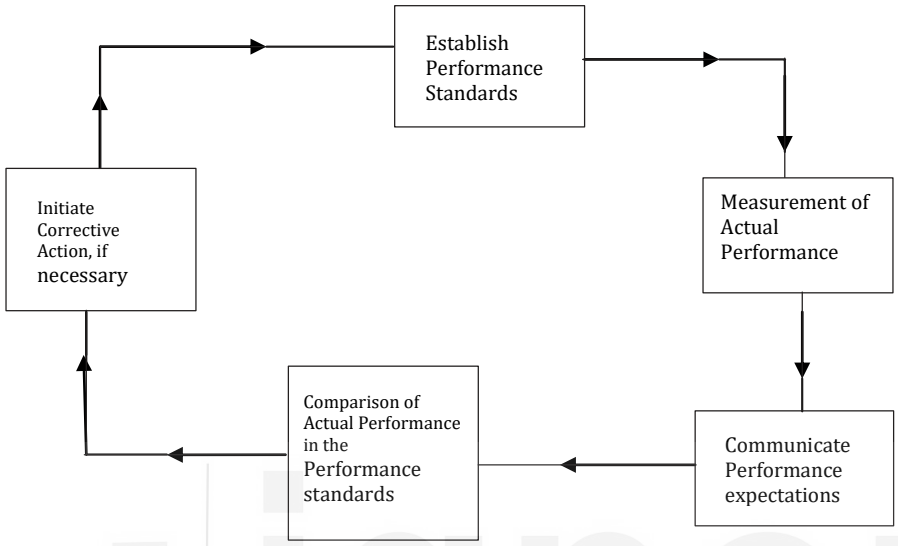
Following steps are involved in appraisal process:

1) The appraisal process begins with the establishment of performance standards.

   These should have evolved out of job analysis and the job description. These performance standards should also be clear and objective enough to

be understood and measured. Too often, these standards are articulated in some such phrase as "a full day's work" or "a good job."

Figure 1: The Performance Appraisal Process


Establish Performance Standards
Measurement of Actual Performance
Communicate Performance expectations
Comparison of Actual Performance in the Performance standards
Initiate Corrective Action, if necessary

Vague phrases tell us nothing. The expectations a manager has in term of work performance by the subordinates must be clear enough in their minds so that the managers would be able to at some later date, to communicate these expectations to their subordinates and appraise their performance against these previously established standards.

2) Once performance standards are established, it is necessary to communicate these expectations. It should not be part of the employees' job to guess what is expected of them. Unfortunately, too many jobs have vague performance standards. The problem is compounded when these standards are not communicated to the employees. It is important to note that communication is a two-way street. Mere transference of information from the manager to the subordinate regarding expectations is not communication. Communication only takes place when the transference of information has taken place and has been received and understood by subordinate. Therefore feedback is necessary. Hence the information communicated by the manager has been received and understood in the way it was intended.

3) The Third step in a appraisal process is measurement of performance. To determine what actual performance is, it is necessary to acquire information about it. We should be concerned with how we measure and what we measure. Four common sources of information are frequently used by mangers to measure actual performance: personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increases both the number of input sources and the probability of receiving reliable information.

What we measure is probably more critical to the evaluation process than how we measure. The selection of the wrong criteria can result in serious

dysfunctional consequences. What we measure determines, to a great extent, what people in a organization will attempt to excel at. The criteria we choose to measure must represent performance as stated in the first two steps of the appraisal process.

4) The fourth step in the appraisal process is the comparison of actual performance with standards. The attempt in this step is to note deviations between standard performance and actual performance. One of the most challenging tasks facing managers is to present an accurate appraisal to the subordinate and then have the subordinate accept the appraisal in a constructive manner. The impression that subordinates receive about their assessment has a strong impact on their self- esteem and, very important, on their subsequent performance. Of course, conveying good news is considerably less difficult than conveying the bad news that performance has been below expectations. Thus, the discussion of the appraisal can have negative as well as positive motivational consequences.

5) The final step in the appraisal is the initiation of corrective action when necessary. Corrective action can be of two types; one is immediate and deals predominantly with symptoms. The other is basic and delves into causes. Immediate corrective action is often described as "putting out fires", where as basic corrective action gets to the source of deviation and seeks to adjust the differences permanently. Immediate action corrects something right now and gets things back on track. Basic action asks how and why performance deviated. In some instances, managers may rationalize that they do not have the time to take basic corrective action and therefore must be content to "perpetually put out fires." Figure 1 shows the performance process in summary.

8.6 BENEFITS OF PERFORMANCE APPRAISAL

The benefits of an effective appraisal scheme can be summed up under three categories. These are for the organization, for appraiser and for appraisee.

1) ***For the Organizations*****:** Following benefits would accrue to the organization.

   a) Improved performance throughout the organization due to more effective communication of the organization's objectives and values, increased sense of cohesiveness and loyalty and improved relationships between managers and staff.

   b) Improvement in the tasks performed by each member of the staff. c) Identification of ideas for improvement.

   d) Expectations and long-term plans can be developed.

   e) Training and development needs can be identified more clearly.

   f) A culture of continuous improvement and success can be created and maintained.

g) People with potential can be identified and career development plans can be formulated for future staff requirements.

2) ***For the appraiser*:** The following benefits would accrue to the appraiser:

a) The opportunity to develop an overview of individual jobs and departments.

b) Identification of ideas for improvements.

c) The opportunity to link team and individual objectives and targets with departmental and organizational objectives.

d) The opportunity to clarify expectations of the contribution the manager expects from teams and individuals.

e) The opportunity to re-prioritize targets.

f) A means of forming a more productive relationship with staff based on mutual trust and understanding.

3) ***For the appraisee*:** For the appraisee the following benefits would accrue:

a) Increased motivation.

b) Increased job satisfaction.

c) Increased sense of personal value.

Activity A: Assume you are currently operating an appraisal system in your organisation. Discuss how will you carry out the same following the above sections.

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8.7 PERFORMANCE APPRAISAL METHODS

This section looks at how management can actually establish performance standards and devise instruments that can be used to measure and appraise an employee's performance. A number of methods are now available to assess the performance of the employees.

1) **Critical Incident Method**

Critical incident appraisal focuses the rater's attention on those critical or key behaviors that make the difference between doing a job effectively and doing it ineffectively. What the appraiser does is write down little anecdotes that describe what the employee did that was especially effective or ineffective. In this approach to appraisal, specific behaviors are cited, not vaguely defined

personality traits. A behaviorally based appraisal such as this should be more valid than trait-based appraisals because it is clearly more job related. It is one thing to say that an

employee is "aggressive" or "imaginative or "relaxed," but that does not tell anything about how well the job is being done. Critical incidents, with their focus on behaviors, judge performance rather than personalities. Additionally, a list of critical incidents on a given employees provides a rich set of examples from which the employee can be shown which of his or her behaviors are desirable and which ones call for improvement. This method suffers from following two drawbacks:

a) Supervisors are reluctant to write these reports on a daily or even weekly basis for all of their subordinates as it is time consuming and burdensome for them

b) Critical incidents do not lend themselves to quantification. Therefore the comparison and ranking of subordinates is difficult.

2) **Checklist**

In the checklist, the evaluator uses a bit of behavioral descriptions and checks of those behaviors that apply to the employee. The evaluator merely goes down the list and gives "yes" or "no" responses. Once the checklist is complete, it is usually evaluated by the staff of personnel department, not the rater himself. Therefore the rater does not actually evaluate the employee's performance; he/she merely records it. An analyst in the personnel department then scores the checklist, often weighting the factors in relationship to their importance. The final evaluation can then be returned to the rating manager for discussion with the subordinate, or someone from the personnel department can provide the feedback to the subordinate.

3) **Graphic Rating Scale**

One of the oldest and most popular methods of appraisal is the graphic rating scale. They are used to assess factors such as quantity and quality of work, job knowledge, cooperation, loyalty, dependability, attendance, honesty, integrity, attitudes, and initiative etc. However, this method is most valid when abstract traits like loyalty or integrity are avoided unless they can be defined in more specific behavioral terms. The assessor goes down the list of factors and notes that point along the scale or continuum that list of factors and notes that point along the scale or continuum that best describes the employee. There are typically five to ten points on the continuum. In the design of the graphic scale, the challenge is to ensure that both the factors evaluated and the scale pints are clearly understood and unambiguous to the rater. Should ambiguity occur, bias is introduced. Following are some of the advantages of this method:

a) They are less time-consuming to develop and administer.

b) They permit quantitative analysis.

c) There is greater standardization of items so comparability with other individuals in diverse job categories is possible.

4) **Forced Choice Method**

The forced choice appraisal is a special type of checklist, but the rater has to choose between two or more statements, all of which may be favorable or unfavorable. The appraiser's job is to identify which statement is most (or in some cases least) descriptive of the individual being evaluated. To reduce bias, the right answers are not known to the rater. Someone in the personnel department scores the answers based on the key. This key should be validated so management is in a position to say that individuals with higher scores are better-performing employees.

The major advantages of the forced choice method are:

a) Since the appraiser does not know the "right" answers, it reduces bias.

b) It looks at over all performance.

c) It is based on the behavior of the employees.

5) **Behaviourally Anchored Rating Scales**

These scales combine major elements from the critical incident and graphic rating scale approaches. The appraiser rates the employees based on items along continuum, but the points are examples of actual behavior on the given job rather than general descriptions or traits. Behaviorally anchored rating scales specify definite, observable, and measurable job behavior. Examples of job-related behavior and performance dimensions are generated by asking participants to give specific illustrations on effective and ineffective behavior regarding each performance dimension. These behavioral examples are then retranslated into appropriate performance dimensions. Those that are sorted into the dimension for which they were generated are retained. The final group of behavior incidents are then numerically scaled to a level of performance that each is perceived to represent. The incidents that are retranslated and have high rater agreement on performance effectiveness are retained for use as anchors on the performance dimension. The results of the above processes are behavioral descriptions, such as anticipates, plans, executes, solves immediate problems, carries out orders, and handles emergency situations.

This method has following advantages:

a) It does tend to reduce rating errors.

b) It assesses behavior over traits.

c) It clarifies to both the employee and rater which behaviors connote good performance and which connote bad.

6) **Group Order Ranking**

The group order ranking requires the evaluator to place employees into a particular classification, such as "top one-fifth" or "second one-fifth." Evaluators are asked to rank the employees in the top 5 per cent, the next 5 per cent, the next 15 per cent. So if a rater has twenty subordinates, only four can be in the top fifth and, of course, four must also be relegated to the bottom fifth.

The advantage of this method is that it prevent raters from inflating their evaluations so everyone looks good or from homogenizing the evaluations for everyone is rated near the average outcome that are usual with the graphic rating scale. It has following disadvantages:

a) It is not good if the number of employee being compared is small. At the extreme, if the evaluator is looking at only four employees, it is very possible that they may all be excellent, yet the evaluator may be forced to rank them into top quarter, second quarter, third quarter, and low quarter!

b) Another disadvantage, which plagues all relative measures, is the "zero-sum game": consideration. This means, any change must add up to zero. For example, if there are twelve employees in a department performing at different levels of effectiveness, by definition, three are in the top quarter, three in the second quarter, and so forth. The sixth-best employee, for instance, would be in the second quartile. Ironically, if two of the workers in the third or fourth quartiles leave the department and are not replaced, then our sixth best employee now fit into the third quarter.

c) Because comparison are relative, an employee who is mediocre may score high only because he or she is the "best of the worst" Similarly, an excellent performer who is matched against "stiff" competition may be evaluated poorly, when in absolute terms his or her performance is outstanding.

7) **Individual Ranking**

The individual ranking method requires the evaluator merely to list all the employees in an order from highest to lowest. Only one can be the "best." If the evaluator is required to appraise thirty individuals ranking method carries the same pluses and minuses as group order ranking.

8) **Paired Comparison**

The paired comparison method is calculated by taking the total of [n (n-1)]/2 comparisons. A score is obtained for each employee by simply counting the number of pairs in which the individual is the preferred member. It ranks each individual in relationship to all others on a one-on-one basis. If ten people are being evaluated, the first person is compared, with each of the other nine, and the number of items this person is preferred in any of the nine pairs is tabulated. Each of the remaining nine persons, in turn, is compared in the same way, and a ranking is evolved by the greatest number of preferred "victories". This method ensures that each employee is compared against every other, but the method can become unwieldy when large numbers of employees are being compared.

9) **Management by Objectives**

Management by objectives (MBO) is a process that converts organizational objectives into individual objectives. It can be thought of as consisting of four steps: goal setting, action planning, self-control, and periodic reviews:-

a) In goal setting, the organization's overall objectives are used as guidelines from which departmental and individual objectives are set. At the individual level, the manager and subordinate jointly identify those goals that are critical for the subordinate to achieve in order to fulfill the requirements of the job as determined in job analysis. These goals are agreed upon and then become the standards by which the employee's results will be evaluated.

b) In action planning, the means are determined for achieving the ends established in goals setting. That is, realistic plans are developed to attain the objectives.

   This step includes identifying the activities necessary to accomplish the objective, establishing the critical relationships between these activities, estimating the time requirement for each activity, and determining the resources required to complete each activity.

c) Self-control refers to the systematic monitoring and measuring of performance.

   Ideally, by having the individual review his or her own performance. The MBO philosophy is built on the assumptions that individuals can be responsible, can exercise self-direction, and do not require external controls and threats of punishment.

d) Finally, with periodic progress reviews, corrective action is initiated when behavior deviates from the standards established in the goal-setting phase. Again, consistent with MBO philosophy, these manager-subordinate reviews are conducted in a constructive rather than punitive manner. Reviews are not meant to degrade the individual but to aid in future performance. These reviews should take place at least two or three times a year.

Following are the advantages of MBO:

a) It is result –oriented. It assists the planning and control functions and provides motivation.

b) Employees know exactly what is expected of them and how they will be evaluated.

c) Employees have a greater commitment to objectives that they have participated in developing than to those unilaterally set by their bosses.

10) **360 degree appraisal**

The 360 degree feedback process involves collecting perceptions about a person's behaviour and the impact of that behaviour from the person's boss or bosses, direct reports, colleagues, fellow members of project teams, internal ad external customers, and suppliers. Other names for 360 degree feedback are multi-rater feedback, multi- source feedback, full-circle appraisal, and group performance review. 360 degree feedback is a method and a tool that provides

each employee the opportunity to receive performance feedback from his or her supervisor and four to eight peers, subordinates and customers. 360 degree feedback allows each individual to understand how his effectiveness as an employee, co-worker, or staff member is viewed by others. The most effective processes provide feedback that is based on behaviours that other employees can see. The feedback provides insight about the skills and behaviours desired in the organization to accomplish the mission , vision, goals and values. The feedback is firmly planted in behaviours needed to exceed customer expectations.

People whoe are chosen as raters are usually those that interact routinely with the person receiving feedback. The purpose of the feedback is to:

a) assist each individual to understand his or her strengths and weaknesses.

b) contribute insights into aspects of his or her work needing professional development.

Following are some of the major considerations in using 360 degree feedback. These are basically concerned with how to:

a) select the feedback tool and process;

b) select the raters;

c) use the feedback

d) review the feedback; and

e) manage and integrate the process into a larger performance management system.

Features of 360 degree appraisal

Organizations that are using with the 360 degree component of their performance management systems identify following positive features of the process. These features will manifest themselves in well-managed, well-integrated 360 degree processes.

a) ***Improved Feedback from more sources*****:** Provides well-rounded feedback from peers, reporting staff, co-workers, and supervisors. This can be a definite improvement over feedback from a single individual. 360 feedback can also save managers' time in that they can spend less energy providing feedback as more people participate in the process. Co-worker perception is important and the process helps people understand how other employees view their work.

b) ***Team Development*****:** Helps team members learn to work more effectively together. Team members know more about how other members are performing than their supervisor. Multirater feedback makes team members more accountable to each other as they share the knowledge that they will provide input on each member's performance. A well-planned process can improve communication and team development.

c) ***Personal and Organizational Performance Development*:** 360 degree feedback is one of the best methods for understanding personal and organizational developmental needs.

d) ***Responsibility for Career Development*:** For many reasons, organizations per se are no longer responsible for developing the careers of thei employees. Multirater feedback can provide excellent information to individuals about what they need to do to enhance their career. Additionally, many employees feel 360 degree feedback is more accurate, more reflective of their performance, and more validating than feedback from the supervisor along. This makes the information more useful for both career and personal development.

e) ***Reduced Discrimination Risk*:** When feedback comes from a number of individuals in various job functions, biases because of varying reasons are reduced. The judgemental errors of the supervisors are eliminated as the feedback comes from various sources.

f) ***Improved Customer Services*:** Feedback process involves the internal or external customer. Each person receives valuable feedback about the quality of his product or services. This feedback should enable the individual to improve the quality, reliability, promptness, and comprehesiveness of these products and services to his/her customers.

g) ***Training Needs Assessment*:** Multirater feedback provides comprehensive information about organization training needs and thus helps in mounting relevant training programmes. Such programmes add value to the contribution made by the individual employee.

***Benefits of 360 degree Appraisal*:**

Following benefits of 360 degree Appraisal accrue to the individual, team and organization:

***To the individual*:**

a) This process helps individuals to understand how others perceive them
b) It uncovers blind spots
c) It provides feedback that is essential for learning
d) Individuals can better manage their own performance and careers
e) Quantifiable data on soft skills is made available.

***To the team*:**

a) It increases communication between team members

b) It generates higher levels of trust ad better communication as individuals identify the causes of breakdowns

c) It creates better team environment as people discover how to treat others and how they want to be treated

d) It supports teamwork by involving team members in the development process

e) It increased team effectiveness.

***To the Organization*:**

a) It reinforces corporate culture and openness and trust
b) It provides better opportunities for career development for employees
c) Employees get growth and promotional opportunities
d) It improves customer service by having customers contribute to evaluation
e) It facilitates the conduct of relevant training programmes.

Activity B: Review the above mentioned methods of Performance Appraisal and evaluate their advantages and disadvantages in the context of an organisation.

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8.8 PERFORMANCE COUNSELLING

The main objective of performance counselling is to help the employee to overcome his weaknesses and to reinforce his strengths. In this sense it is a developmental process where the supervisor and the subordinate discuss the past performance with a view to help the subordinate to improve and become more effective in future. Appraisal reports serve as spring board for discussion. One of the fallout effects of this dyadic interaction is the identification of training needs. Counselling provides an opportunity to the supervisor to give feedback to the subordinate on the performance and performance related behavior. Feedback can be an effective tool provided:

a) Both negative and positive feedbacks are communicated.

b) It is not just an opinion but is backed by data. In other words it should be descriptive and not evaluative.

c) It focuses on behavior rather than on the individual.

d) It is timely. Delayed feedback is neither helpful nor effective. On the other hand, it might be seen as criticism which may further deteriorate the relationship. As time passes, details are forgotten and recall may be jeopardized by distortions.

Several conditions for effective counseling are identified. The Following are some of the important ones:

a) A climate of openness and trust is necessary. When people are tense and hostile, attempts should be made to counsel and help rather than be critical.

b) The counselor should be tactful and helpful rather than critical and fault finding.

c) The subordinate should feel comfortable to participate without any hesitation or inhibition.

d) The focus should be on the work-related problems and difficulties rather than personality or individuals likes, dislikes or idiosyncrasies.

e) It should be devoid of all discussions on salary, reward and punishment. Any discussion on compensation changes the focus from performance improvement to the relationship between performance and reward.

Since counselling is a difficult activity, the supervisor should be specially trained in social competence to handle these aspects of his job. The skill required to do well in these situations is often referred to as the use of non-directive technique. It is a methodology of generating information and using this information to help employees. A sample of non-directive technique could be to start the interview by asking "tell me how you think you are doing". This provides an environment for the subordinate to talk about his part of the story first. The essential feature is to provide an employee an opportunity to talk and share his experience which the supervisor should be able to listen and then process and provide feedback to him.

Many supervisors are hesitant to initiate performance counseling sessions because the subordinates may raise uneasy questions for which they may not have answers. Or they may question their judgments and decisions which may lead to argument, debate and misunderstanding. That is why there is a need to train supervisors in the techniques of counseling sessions.

One major outcome of performance counseling is identification of the potential of the employee's skills and abilities not known and utilized by the organization. Potential appraisal is different from performance appraisal as the latter limits evaluation to what the subordinate has done on the job (or his performance) whereas the former on the other hand, seeks to examine what the subordinate can do?. The distinct advantage of a thoroughly carried out potential appraisal are given below:

a) The organizations are able to identify individuals who can take higher responsibilities.

b) It also conveys the message that people are not working in dead-end jobs in the organization.

Activity C: List out the contexts in which Performance Counselling is carried out for a particular employee in an organization.

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Career Path

One of the important objectives of appraisal, particularly potential appraisal is to help employees to move upwards in the organization. People do not like to work on dead- end jobs. Hence, a career ladder with clearly defined steps becomes an integral component of human resources management. Most HRM practitioners favor restructuring of a job to provide reasonably long and orderly career growth. Career path basically refers to opportunities for growth in the organization. Availability of such opportunities has tremendous motivational value. It also helps in designing salary structures, identifying training needs and developing second line in command. Career paths can be of two kinds:

a) Those where designations changes to a higher level position, job remaining more or less the same. A good example of this is found in teaching institutions, where an assistant professor may grow to became associate professor and a professor, but the nature of job (teaching and research) remains the same. Career path in such situations means a change in status, better salary and benefits and perhaps less load and better working condition.

b) Those where changes in position bring about changes in job along with increased salary, status and better benefits and working conditions. In many engineering organizations, an employee may grow in the same line with increased responsibilities or may move to other projects with different job demands.

One important mechanism to identify the promotability of employees is Assessment Centre. It is a method which uses a variety of technique to evaluate employees for manpower requirements in the organization. It uses situational tests including

exercises requiring participants to prepare written reports after analyzing management problem, make oral presentations, answer mail or memo in in-basket situation and a whole lot of situational decision making exercises. Assessors observe the behavior and make independent reports of their evaluation of the strengths and weaknesses of the attributes being studied.

8.9 PROBLEMS IN PERFORMANCE APPRAISAL

While it is assumed that performance appraisal process and techniques present an objective system it would be naïve to assume, however, that all practicing managers impartially interpret and standardize the criteria upon which their subordinates will be appraised. In spite of our recognition that a completely error-free performance appraisal can only be idealized a number of errors that significantly impede objective evaluation. Some of these errors are discussed below:

1) **Leniency Error**

Every evaluator has his/her own value system that acts as a standard against which appraisals are made. Relative to the true or actual performance an individual exhibits, some evaluators mark high and others low. The former is referred to as positive leniency error, and the latter as negative leniency error. When evaluators are positively lenient in their appraisal, an individual's performance becomes overstated; that is rated higher than it actually should. Similarly, a negative leniency error understates performance, giving the individuals as lower appraisal.

2) **Halo Effect**

The halo effect or error is a tendency to rate high or low on all factors due to the impression of a high or low rating on some specific factor. For example, if an employee tends to be conscientious and dependable, the supervisor might become biased toward that individual to the extent that he will rate him/her high on many desirable attributes.

3) **Similarity Error**

When evaluators rate other people in the same ways that the evaluators perceive themselves they are making a similarity error. Based on the perception that evaluators have of themselves, they project those perceptions onto others. For example, the evaluator who perceives him self or herself as aggressive may evaluate others by looking for aggressiveness. Those who demonstrate this characteristic tend to benefit, while others are penalized.

4) **Low Appraiser Motivation**

What are the consequences of the appraisal? If the evaluator knows that a poor appraisal could significantly hurt the employee's future particularly opportunities for promotion or a salary increase the evaluator may be reluctant to give a realistic appraisal. There is evidence that it is more difficult to obtain accurate appraisals when important rewards depend on the results.

5) **Central Tendency**

It is possible that regardless of whom the appraiser evaluates and what traits are used, the pattern of evaluation remains the same. It is also possible that the evaluator's ability to appraise objectively and accurately has been impeded by a failure to use the extremes of the scale, that is, central tendency. Central

tendency is the reluctance to make extreme ratings (in either directions); the inability to distinguish between and among ratees; a form of range restriction.

6) **Recency vs. Primacy Effect**

Recency refers to the proximity or closeness to appraisal period. Generally an employee takes it easy for the whole year and does little to get the punishment. However, comes appraisal time, he becomes very active. Suddenly there is an aura of efficiency, files move faster, tasks are taken seriously and the bosses are constantly appraised of the progress and problems. All this creates an illusion of high efficiency and plays a significant role in the appraisal decisions. The supervisor gets railroaded into believing that the employee is alert and hence, rates him high. In reality though it refers only to his two to three month's performance.

The opposite of recency is primacy effect. Here the initial impression influences the decision on year end appraisal irrespective of whether the employee has been able to keep up the initial impression or not. First impression is the last impression is perhaps the most befitting description of this error.

8.10 EFFECTIVE PERFORMANCE APPRAISAL

The issues raised above essentially focus on the problems of reliability and validity of performance appraisal. In other words, how do we know whether what is appraised is what was supposed to be appraised. As long as appraisal format and procedure continues to involve subjective judgment, this question cannot be fully answered and perhaps, will not be answered completely because no matter how objective a system is designed it will continue to be subjective. Perhaps, the following steps can help improve the system.

a) The supervisors should be told that performance appraisal is an integral part of their job duties and that they themselves would be evaluated on how seriously they have taken this exercise.

b) To help them do this task well, they should be provided systematic training on writing performance reports and handling performance interviews.

c) Conduct job evaluation studies and prepare job descriptions/roles and develop separate forms for various positions in the organization.

d) Design the system as simple as possible so that it is neither difficult to understand nor impossible to practice

e) Generally after the appraisal interview the employee is left alone to improve his performance on the dimensions. The supervisor should monitor now and then whether the improvement in performance in the areas found weak is taking place or not and, if not, help the employee to achieve the required improvement.

f) Finally, reviewing, the appraisal systems every now and then help updating it, and making suitable evolutionary changes in it. This is the most important factor in making performance appraisal effective. As time passes changes in technology and work environment necessitate changes in tasks,

abilities and skills to perform these tasks. If changes in the format are not incorporated the reports may not generate the kind of date needed to satisfy appraisal objectives.

In addition, following can also help in improving the effectiveness of an appraisal:

a) **Behaviorally Based Measures**

The evidence strongly favors behaviorally based measures over those developed around traits. Many traits often considered to be related to good performance may, in fact have little or no performance relationship. Traits like loyalty, initiative, courage, reliability, and self-expression are intuitively appealing as desirable characteristics in employees. But the relevant question is, Are individuals who are evaluated as high on those traits higher performers than those who rate low? Traits like loyalty and initiative may be prized by managers, but there is no evidence to support that certain traits will be adequate synonyms for performance in large cross-section of jobs. Behaviorally derived measures can deal with this objection. Because they deal with specific examples of performance-both good and bad, they avoid the problem of using inappropriate substitutes.

b) **Ongoing Feedback**

Employees like to know how they are doing. The annual review, where the manager shares the subordinates evaluations with them, can become a problem. In some cases, it is a problem merely because managers put off such reviews. This is particularly likely if the appraisal is negative. The solution lies in having the manager share with the subordinate both expectations and disappointments on a day-today basis. By providing the employee with frequent opportunities to discuss performance before any reward or punishment consequences occur, there will be no surprises at the time of the annual formal review. In fact, where ongoing feedback has been provided, the formal sitting down step should not be particularly traumatic for either party.

c) **Multiple Raters**

As the number of raters increase, the probability of attaining more accurate information increases. If rater error tends to follow a normal curve, an increase in the number of raters will tend to find the majority congregating about the middle. If a person has had ten supervisors, nine having rated him or her excellent and one poor, we can discount the value of the one poor evaluation.

d) **Peer Evaluations**

Periodically managers find it difficult to evaluate their subordinates' performance because they are not working with them every day. Unfortunately, unless they have this information, they may not be making an accurate assessment. One of the easiest means is through peer evaluations. Peer evaluations are conducted by employees' co- workers, people explicitly familiar with the jobs involved mainly because they too are doing the same thing, they are the ones most aware of co-workers' day to-day work behavior and should be given the opportunity to provide the management with some feedback.

The main advantages to peer evaluation are that (a) there is tendency for co-workers to offer more constructive insight to each other so that, as a unit, each will improve; and (b) their recommendations tend to be more specific regarding job behaviors-unless specificity exists, constructive measures are hard to gain.

8.11 POTENTIAL APPRAISAL

Many companies, which carry out performance appraisal, also keep records on the potential of their employees for future promotion opportunities. The task of identifying potential for promotion cannot be easy for the appraising manager, since competence of a member of staff to perform well in the current job is not an automatic indicator of potential for promotion. Very often the first class salesman is promoted to become a mediocre sales manager, the excellent chief engineer is promoted to become a very poor engineering director, and the star football player struggles to be a football manager.

Potential can be defined as 'a latent but unrealised ability'. There are many people who have the desire and potential to advance through the job they are in, wanting the opportunity to operate at a higher level of competence in the same type of work. The potential is the one that the appraiser should be able to identity and develop because of the knowledge of the job. This requires an in-depth study of the positions which may become vacant, looking carefully at the specific skills that the new position may demand and also taking into consideration the more subjective areas like 'qualities' required. These may be areas where the employee has not had a real opportunity to demonstrate the potential ability and there may be areas with which you, as the appraisers are not familiar. There are few indicators of potential (Box 1) which may be considered.

Box 1: Indicators of Potential

- ***A sense of reality***: This is the extent to which a person thinks and acts objectively, resisting purely emotional pressures but pursuing realistic projects with enthusiasm.
- ***Imagination***: The ability to let the mind range over a wide variety of possible causes of action, going beyond conventional approaches to situations and not being confined to 'This is the way it is always being done!'
- ***Power of analysis***: The capacity to break down, reformulate or transform a complicated situation into manageable terms.
- ***Breadth of vision***: The ability to examine a problem in the context of a much broader framework of reference; being able to detect, within a specific situation, relationships with those aspects which could be affecting the situation.
- ***Persuasiveness***: The ability to sell ideas to other people and gain a continuing commitment, particularly when the individual is using personal influence rather than 'management authority'.

***Source*:** Adopted from Philip, Tom (1983). *Making Performance Appraisal Work*, McGraw Hill Ltd., U.K.

8.12 SUMMARY

Performance appraisal is concerned with setting objectives for individuals, monitoring progress towards these objectives on a regular basis in our atmosphere of trust and cooperation between the appraiser and the appraisee. Well designed appraisal systems benefit the organisation, managers and individuals in different ways and need to fulfill certain key objectives if they are to be successful. Appraisal systems should be designed to focus employees on both their short and long-term objectives and career goals. It is also important to be aware of the problems associated with performance appraisal systems.

8.13 SELF ASSESSMENT QUESTIONS

1) Explain the Performance Appraisal System. Either suggest improvements to an existing appraisal system in your organisation or design an appraisal system which would meet the objectives outlines in this chapter.

2) Describe the 360 degree appraisal with the help of examples.

3) Write short notes of:

   a) Management by objectives
   b) Behaviourly Anchored Rating Scale
   c) Performance Counselling

8.14 FURTHER READINGS

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UNIT 9 CAREER DEVELOPMENT

Objectives

After going through this Unit, you should be able to:

- Understand the concept of career development and its need;
- understand the needs, purposes, objectives, advantages and limitations of career planning;
- describe the process of career planning and development;
- delineate the conditions under which career planning can succeed in an organisation; and
- understand what is succession planning.

Structure

9.1 Introduction

9.2 Career Development

9.3 Career Planning

9.4 Career Stages and Career Anchors

9.5 Career Development Strategy

9.6 Process of Career Development

9.7 Responsibility for Career Development

9.8 Limitations of Career Planning

9.9 Strategies for making career planning a success

9.10 Succession Planning

9.11 Summary

9.12 Self- Assessment Question

9.13 Further Readings and References

9.1 INTRODUCTION

Career development is a function of human resource management which aims at providing opportunities for people to develop their careers. This will help them to achieve their career aspirations at the same time enable to talent development in the organisations. Career planning and succession planning are two major parts of career development. This is carried out along with the other functions of HRM such as: performance appraisal and potential appraisal. Training and development plays a major role in career development. In this unit, the function of career development, career planning and succession planning are explained in detail.

9.2 CAREER DEVELOPMENT

Career is viewed as a sequence of position occupied by a person during the course of his lifetime. Career may also be viewed as amalgam of changes in value, attitude and motivation that occur, as a person grows older. The implicit assumption is that an invididual can make a different in his career over time and can adjust in ways that would help him to enhance and optimize the potential for his own career development. Career development is important because it would help the individual to explore, choose and strive to derive satisfaction with one's career object.

Through career development, a person evaluates his or her own abilities and interests, considers alternative career opportunities, establishes career goals, and plans practical developmental activities.

Career development seeks to achieve the following objectives:

a) It attracts and retains the right persons in the organisation

b) It maps out careers of employees suitable to their ability, and their willingness to be trained and developed for higher positions

c) It ensures better use of human resources through more satisfied and productive employees

d) It ensures more stable workforce by reducing labour turnover and absenteeism

e) It utilizes the managerial talent available at all levels within the organisation

f) It improves employee morale and motivation by matching skills to job requirements and by providing job opportunities for promotion

g) It ensures that promising persons get experience that will equip them to reach responsibility for which they are capable

h) It provides guidance and encouragement to employees to fulfill their potential

i) It helps in achieving higher productivity and organizational development

The essence of a progressive career development programme is built on providing support for employees to continually add to their skills, abilities and knowledge. This support from organisation includes:

a) Clearly communicating the organisation's goals and future strategies.

b) Creating growth opportunities

c) Offering financial assistance

d) Providing the time for employees to learn.

On the part of employees, they should manage their own careers like entrepreneurs managing a small business. They should think of themselves as self-employed. They should freely participate in career planning activities and must try to get as much as possible out of the opportunities provided. The successful career will be built on maintaining flexibility and keeping skills and knowledge up to date.

Career development essentially involves the functions of career planning and succession planning. Both these functions are carried out by HR department.

Keeping in view the organisational goals and capabilities of individual employees subsequent sections would cover the functions of career planning and succession planning in detail.

9.3 CAREER PLANNING

Career Planning essentially means helping the employees to plan their career in terms of their capacities within the context of organisational needs. It is described as devising an organisational system of career movement and growth opportunities from the point of entry of an individual in employment to the point of his or her retirement. It is generally understood to be a management technique for mapping out the entire career of young employees in higher skilled, supervisory, and managerial positions. Thus, it is the discovery and development of talents, planned deployment and redeployment of these talents. Some writers on organisational matters have described it as the regulation of "blue eyed" jobs. It is also described as a process-of synthesizing and harmonising the needs of the organisation with the innate aspirations of the employees, so that while the latter realise self-fulfilment, the formers effectiveness is improved.

Literally, a career can be defined as a sequence of separate but related work activities that provide continuity, order and meaning to a person's life. It is not merely a series of work-related experiences, but consists of a series of properly sequenced role experiences, leading to an increasing level of responsibility, status, power, and rewards. It represents an organised path taken by an individual across time and space. In the case of an employee, career planning provides an answer to his or her question as to where he or she will be in the organisation after five years or ten years or what the prospects of advancing or growing are in the organisation or building the scope for his or her career there. Career planning is not only an event or end in itself but also an ongoing process for development of human resources. In short, it is an essential aspect of managing people to obtain optimal results.

Career planning takes place at different stages of ones career of an employee.

Activity A:

Present a caselet on how career planning functions in an organisation.

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9.4 CAREER STAGES AND CAREER ANCHORS

The stages of a career (Box 1) within an organization can be described as a career lifecycle. Hall (1984) set this out as follows.

Box 1: Career Stages

1. **Entry** to the organization when the individual can begin the process of self-directed career planning.
2. **Progress** within particular areas of work where skills and potential are developed through experience, training, coaching, mentoring and performance management.
3. **Mid-career** when some people will still have good career prospects while others may have got as far as they are going to get, or at least feel that they have. It is necessary to ensure that these 'plateaued' people do not lose interest at this stage by taking such steps as providing them with cross-functional moves, job rotation, special assignments, recognition and rewards for effective performance, etc.
4. **Later career** when individuals may have settled down at whatever level they have reached but are beginning to be concerned about the future. They need to be treated with respect as people who are still making a contribution and given opportunities to take on new challenges wherever this is possible. They may also need reassurance about their future with the organization and what is to happen to them when they leave.
5. **End of career** with the organization – the possibility of phasing disengagement by being given the chance to work part time for a period before they finally have to go should be considered at this stage.

***Source*:** Armstrong's Handbook (2020)

Career anchors

Some recent evidence suggests that six different factors account for the way people select and prepare for a career. They are called *career anchors* because they become the basis for making career choices. They are particularly found to play a significant role amongst younger generation choosing professions. They are briefly presented below:

a) ***Managerial Competence*****:** The career goal of managers is to develop qualities of interpersonal, analytical, and emotional competence. People using this anchor want to manage people.

b) ***Functional Competence*****:** The anchor for technicians is the continuous development of technical talent. These individuals do not seek managerial positions.

c) ***Security*****:** The anchor for security-conscious individuals is to stabilize their career situations. They often see themselves tied to a particular organization or geographical location.

d) ***Creativity*****:** Creative individuals are somewhat entrepreneurial in their attitude.

They want to create or build something that is entirely their own.

e) ***Autonomy and independence***: The career anchor for independent people is a desire to be free from organizational constraints. They value autonomy and want to be their own boss and work at their own pace. This also includes an entrepreneurial spirit.

f) ***Technological competence***: There is a natural affinity for technology and a desire to work with technology whenever possible. These individuals often readily accept change and therefore are very adaptable.

9.5 CAREER DEVELOPMENT STRATEGY

In order to execute the career planning function, HR department in consultation with other departments fourmulate a career development strategy.

A career development strategy might include the following activities:

- a policy of promoting from within wherever possible;
- career routes enabling talented people to move from bottom to top of the organization, or laterally in the firm, as their development and job opportunities take them;
- personal development planning as a major part of the performance management process, in order to develop each individual's knowledge and skills;
- systems and processes to achieve sharing and development of knowledge (especially tacit) across the firm;
- multi-disciplinary project teams with a shifting membership in order to offer develop- mental opportunities for as wide a range of employees as possible.

9.6 PROCESS OF CAREER DEVELOPMENT

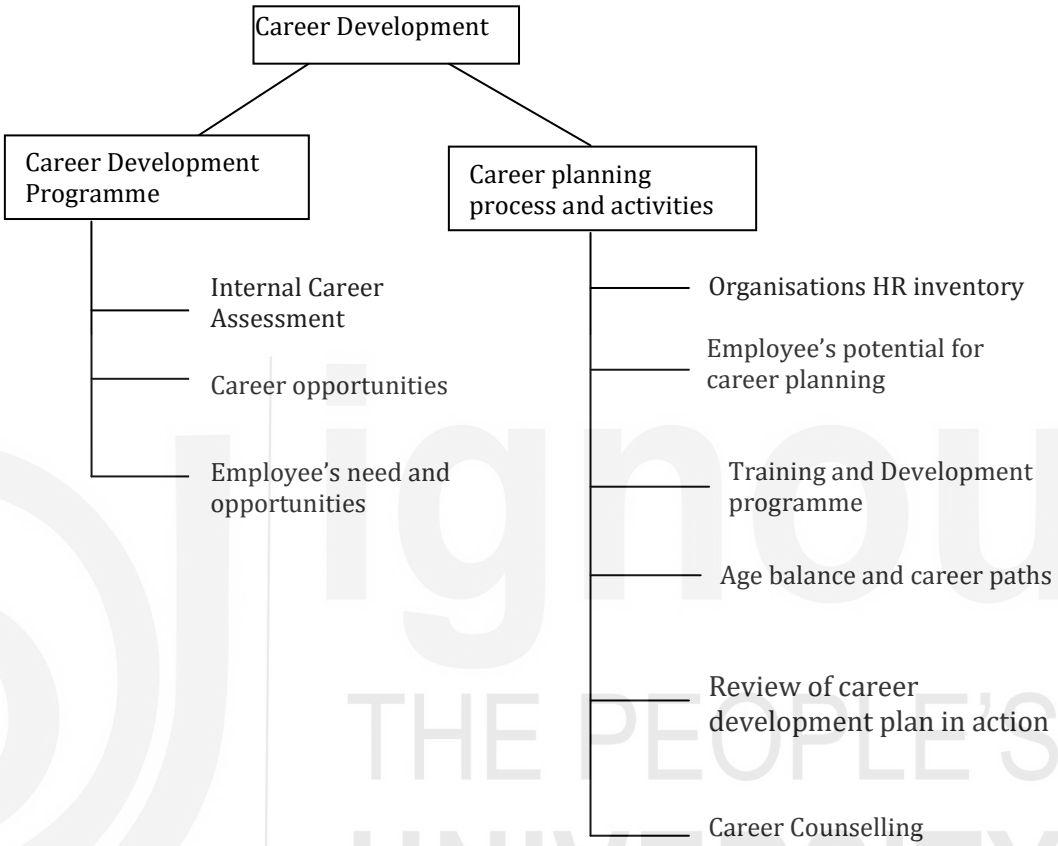
There are two components of career planning and development:

A) Career Development Programme, and

B) Career Planning Process and Activities

The Exhibit 1 depicts the components of process of career development

Exhibit 1: Components of Career Development



A) Career Development Programme

This involves three activities:

a) Assisting employees in assessing their own internal career needs.

b) Developing and publicising available career opportunities in the organisation.

c) Aligning employee needs and abilities with career opportunities.

a) Internal Career Assessment: Since a person's career is extremely important element of life, each person is to make his or her decision in this regard. However, the HR manager may assist an employee's decision-making process by providing as much information as possible to the employee showing what type of work would suit him or her most, considering his or her other interest, skill, aptitude, and performance in the work that he or she is already doing. For rendering such help some big organisations provide formal assessment centre/workshops where small groups of employees are subjected to psychological testing, simulation exercises and depth interviewing. The objective of such

programmes is not that of selecting future promotees, but rather to help indivuduals to do their own planning.

b) Career Opportunities: Knowing that employees have definite career needs, there naturally follows the obligation of specifically charting career paths through the organisation and informing the employees. For identifying the career paths the technique of job analysis may help in discovering multiple lines of advancement to several jobs in different areas.

c) Employee's Needs and Opportunities: When employees have assessed their needs and have become aware of organisational career opportunities the remaining problem is one of alignment. For aligning or matching the career needs of employees to opportunities offered by the organisation, special training and development techniques such as special assignment, planned position rotation, and supervisory coaching, are used. The HR department of some organisations have also some system of recording and tracking moves through the organisation, and maintain an organisation chart that highlights age, seniority and promotion status.

B) Career Planning Process and Activities

The process of career planning involves a number of activities or steps to be undertaken as mentioned below:

a) Preparation of HR inventory of the organisation,

b) Building career paths or ladders for various categories of employees,

c) Locating or identifying employees with necessary potential for career planning,

d) Formulation and implementation of suitable plans for training and development of

e) persons for different steps of the career ladder or paths, and

f) Maintaining age balance while taking employees up the career path and review of career development plan in action, etc.

a) **Organisation's HR Inventory**: Such an inventory is an essential prerequisite for any successful career planning within the organisation. This inventory should be so prepared as to provide the following information:

- Organisational set up and its different levels.
- The existing number of persons employed in the organisation. For this, manning tables are prepared showing the nature of positions at different levels of the organisation and the number of persons manning those jobs. Sometimes the age of persons holding the jobs are also mentioned in the table to show when they are likely to

retire and when the vacancy thus caused may be required to be filled.

- Types of existing employees, their status, duties, qualifications, age, aptitude, ability to shoulder added responsibility and their acceptability to their colleagues.
- Whether the existing manpower is short or in surplus to requirements. If there is a shortage, how many more persons are required, and for what positions.

Number of persons required in the near future, say in the next one to five years, to meet the needs arising from expansion or diversification of work or natural wastage of manpower. The latter includes death, permanent disability, superannuation and retirement, discharge, dismissal, voluntary resignation, or abandonment of the jobs.

Collection of all the above information may amount to manpower planning, and involve preparation of manpower budget showing present and immediate future needs.

b) **Employee's Potential for Career Planning**: After determining the career path, the next logical step is to find out the suitable employees who may have the necessary ability and potential for climbing up the ladder and are willing to be promoted and to take up higher responsibilities. For this the management control technique of Performance Appraisal and Merit Rating is utilised. Periodical evaluation and merit rating of employees is also necessary for proper planning of manpower and career of employees in the organisation. This can be possible only by knowing how much and what types of human resources are available, and the potential of employees whose career is to be planned.

c) **Formulation and Implementation of Training and Development Plans and Programmes**: For making the career planning a success it is essential that the training and development programmes should be so planned and designed that they meet the needs of both the management and employees. The participants of these programmes should be the employees who are willing to be trained and developed further to make their career in the organisation. Methods of training and nature of skill and knowledge to be imparted may be different for different types of employees. The emphasis may be on improving technical skills of skilled workers and on acquiring and improving leadership qualities, human and conceptual skills for senior supervisors, executives and managers.

d) **Age Balance and Career Paths**: One widespread difficulty in career planning may arise from the need to accommodate people in the same level of supervisory and managerial hierarchy, some of whom are young direct recruits and others are promotees who are almost always considerably older. The latter, because of their limited education or formal professional qualification, cannot expect to move up very high;

the former as they are better educated and trained have aspirations for rapid vertical mobility. Promotion and direct recruitment at every level must, therefore, be so planned as to ensure a fair share to either group. Intense jealousies, rivalries or groupism may develop if this aspect of personnel administration is neglected. Very quick promotions which create promotion blocks should also be avoided if the employees are not to feel stagnated or demotivated at early stages of their careers, and think of leaving the organisation for better prospects. Such a situation can be avoided if promotions are properly spaced.

e) **Review of Career Development Plans in Action**: Career planning is a continuous activity. In fact it is a process. For effective career planning, a periodical review process should be followed so that the employee may know in which direction the organisation is moving, what changes are likely to take place and what resources and skills he or she needs to adapt to the changing organisational requirements. Even for the organisation, annual evaluation is desirable to know an employee's performance, limitations, goals and aspirations, and to know whether the career plan in action is serving the corporate objective i.e. effective utilisation of human resources by matching employee abilities to the demands of the job and his or her needs to the rewards of the job. Some of the questions that could be asked while evaluating the career plan might be:

- Was the classification of the existing employees correct?
- Are the job descriptions proper?
- Is there any employee unsuited to his or her job?
- Are the future manpower projections still valid?
- Is the team pulling on well as a whole?
- Are the training and development programmes adequately devised to enable the employee to climb up the career ladder and fit into higher positions?

Answers to all these and other questions can be found either by holding brainstorming sessions or by undertaking a survey of career planning activities and their impact on the working of the organisation.

f) **Career Counselling**: Career planning may also involve counselling individuals on their possible career paths, and what they must do to achieve promotions. The need for such counselling arises when employees plan their own careers, and develop or train themselves for career progression in the organisation. This does not mean revealing the number of determined steps in a long range plan of the organisation.

Even if it were possible, it would be inappropriate to raise expectations which might not be fulfilled or induce complacency about the future. In counselling, the wisest approach is to provide a scenario of the opportunities that might become available. The main aim should be to help the individual concerned to develop oneself by giving him or her some idea of the direction in which he or she ought to be heading. Some other objectives of career counselling are as follows:

- Enabling individuals to study the immediate and personal world in which they live.
- Providing a normal mature person with guidelines to help him or her understand oneself more clearly and develop his or her thinking and outlook.
- Achieving and enjoying greater personal satisfaction, pleasure and happiness.
- Understanding the forces and dynamics operating in a system.

Activity B: Browse through web resources and illustrate a career planning process followed in an organisation.

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9.7 RESPONSIBILITY FOR CAREER DEVELOPMENT

A basic question regarding Career Planning arises as to whose responsibility it is for such a planning. Is it of the employee or of the management? Basically Career Planning is an individual's responsibility. However, in the organisational context, it is the organisations responsibility to guide and direct the employees to develop and utilise their knowledge, abilities and resources towards organisational development and effectiveness. Employees' goals have to be integrated with organisational goals.

9.8 LIMITATIONS OF CAREER PLANNING

Is not easy to implement career planning process in an organisation. It has its own difficulties and-problems like:

It does not suit a very small organisation. There should be opportunities for vertical mobility if career planning has to become a reality.

Career planning is not an effective management technique for a large number of HR who work on the shop-floor particularly for those who are illiterates, less educated, and perform jobs for which labour supply is abundant.

Growth expectations of the members of the family in a family concern produce adverse results. Since, the members of a family expect to move

faster than their professional colleagues in the career ladder they upset the career planning exercise.

- Career planning may not be so effective if it is attempted for a period exceeding a decade. This is because in every developing country, environmental factors like political philosophy, new concepts of social justice, new fiscal and monetary policies, state entrepreneurship on a large scale, intensification of social control of business, development of backward areas, state intervention in the working and employment conditions, etc., affect the growth of industrial enterprises and other organisations.

- Political intervention, favouritism and nepotism in promotion may make it difficult to have systematic career planning.

- Other constraints or obstacles that may hamper career planning are: Practical problems of maintaining a balance between the promotes and recruits, and the absence of integrated personnel policy and plans which is quite common in many enterprises; difficulties in identifying suitable persons for career planning; lack of suitable manpower and rational wage structure; lack of sufficient opportunities for vertical mobility; difficulties in forecasting replacement needs; assessment of long- term potentials and absence of a clearly matched system of performance reporting; inability of the administration to manipulate changes; difficulties in writing job descriptions and conducting attitudinal surveys and lack of employee trust in such surveys.

9.9 STRATEGIES FOR MAKING CAREER PLANNING A SUCCESS

What is most needed to make career planning a reality and success is a strong and inflicting conviction of the top management in career planning and their ability to their enthusiasm down below. The path may be tiring, but once determined steps have been taken, the success will be seen lying ahead making the management effective and its human resources most productive, benefiting all in the organisation. Some of the other factors and measures which can contribute towards the success of career planning are:

a) Business Enterprise should be expanding if career planning is to be feasible, as in such organisations long-term projection of the requirements of the HR, and it can provide ample opportunities for vertical mobility or promotion.

b) An organisation must have clear corporate goals for the ensuing five, ten and fifteen years, and on the basis of its corporate plans it should conduct analysis periodically; to determine the types of changes, its functions, activities, procedures, technology and materials. If this is not done, an organisation cannot develop the manpower development system, thus reducing the need for career planning.

c) Interested, goal-directed, motivated and hard working employees are essential for making a career planning programme effective. An organisation can create an environment and show genuine concern for the development of the employees, but the employees must be willing to make use of the resources and opportunities available. There are instances when employees are not interested either in further developing themselves or in making use of the training and developing facilities provided by the organisation. As they are contented with what they are, the question of planning their career further does not arise.

d) Selection of right person for the right job is an essential pre-requisite for career planning. The right person should not only be qualified and have necessary experience for the job applied for, but he or she should also have enough potential and urge to develop and grow further in the organisation.

e) Maintenance of proper age balance in career planning is also necessary to avoid rapid promotions and promotion blocks caused by an age structure which is over balanced either on the side of age or that of the youth. Such blocks will not only create problems and difficulties for the smooth working of career plans, but may also affect the growth and effective functioning of the organisation. The latter must have both the process of continuity and renewal in the management function and personnel. Career planning work can be made effective by harmonising the needs of the organisational growth with the normal growth and aspiration of individual employees.

f) Management of career stress: Many employees experience stress at work which is as damaging to an individuals' career as it is to an organisation. Such a stress may manifest itself in the form of apathy, withdrawal, dissatisfaction, absenteeism, increased accident proneness, hypertension and heart disease. This tension is generally caused either by blockage of career or lack of control when one feels that he or she is on the way out, either because of impending retirement, or because one is out-paced by younger employees. The management can help the employee to get over this stress either by offering career stress management programmes for getting back in control, and clarifying uncertainties. The management can also help him or her by increasing the level of participation in decisions that clearly affect how and when one does his or her job, or by making him or her aware to what other jobs one can switch over, and how gainfully one can keep oneself occupied after retirement.

g) Career planning will be made effective when it takes the form of a Fair Promotion Policy supported by systematic training for those who are trainable, willing and eager to learn a higher skill.

h) Internal publicity: A career plan should be given wide publicity if it is to be a success. The employees for whom this plan is intended should know what it is and what are the career paths they can and what

training and development facilities are available within and outside the organisation for preparing them for higher or added responsibilities.

9.10 SUCCESSION PLANNING

Succession planning is an ongoing process that identifies necessary competencies, then works to assess, develop, and retain a talent pool of employees, in order to ensure a continuity of leadership for all critical positions. Succession planning is a specific strategy, which spells out the particular steps to be followed to achieve the mission, goals, and initiatives identified in workforce planning. It is a plan that managers can follow, implement, and customize to meet the needs of their organisation, division, and/or department.

The continued existence of an organization over time require a succession of persons to fill key position .The purpose of succession planning is to identify and develop people to replace current incumbents in key position for a variety of reasons.

Some of these reasons are given below:

- **Superannuation:** Employees retiring because they reach a certain age.
- **Resignation:** Employees leaving their current job to join a new job
- **Promotion:** Employees moving upward in the hierarchy of the organization.
- **Diversification:** Employees being redeployed to new activities.
- **Creation of New Position:** Employees getting placed in new positions at the same level.

Succession can be from within or from outside the organization. Succession by people from within gives a shared feeling among employee that they can grow as the organization grows. Therefore organization needs to encourage the growth and development with its employee. They should look inward to identify potential and make effort to groom people to higher and varied responsibilities. In some professionally run large organizations, managers and supervisor in every department are usually asked to identify three or four best candidate to replace them in their jobs should the need arise. However, the organization may find it necessary to search for talent from outside in certain circumstance. For example, when qualified and competent people are not available internally, when it is planning to launch a major expansion or diversification programmes requiring new ideas etc.. Complete dependence on internal source may cause stagnation for the organization. Similarly complete dependence on outside talent may cause stagnation in the career prospects of the individual within the organization which may in turn generate a sense of frustration.

Succession planning provides managers and supervisors a step-by-step methodology to utilize after workforce planning initiatives have identified the

critical required job needs in their organization. Succession planning is pro-active and future focused, and enables managers and supervisors to assess, evaluate, and develop a talent pool of individuals who are willing and able to fill positions when needed. It is a tool to meet the necessary staffing needs of an organization/department, taking not only quantity of available candidates into consideration, but also focusing on the quality of the candidates, through addressing competencies and skill gaps.

9.11 SUMMARY

Continuous self and staff development are instrumental for to continuous performance improvement. One's own self-development needs to be related to your personal strengths and weaknesses and to the career aspirations. This requires planning of career progression and setting career goals. This can be achieved by identifying potentialities of employees with the help of potential appraisal and various methods. Hence career development has become an essential function of HR department in order to retain HR by providing them future career planning. It is an integral part of performance management and training and development functions in line with organisation's goals.

9.12 SELF ASSESSMENT QUESTIONS

1) What is career planning? Discuss its needs, purpose and objectives.
2) Write a comprehensive note on succession planning citing suitable examples.
3) What are the limitations of career planning?
4) Enlist the guidelines for making career planning a success.

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UNIT 10 TRAINING AND DEVELOPMENT

Objectives

After going through this unit, you should be able to:

- explain the meaning of training;
- discuss the need and importance of training;
- describe various methods of training;
- suggest a training system;
- identify areas for evaluation of training;
- discuss ways of making training more strategic;
- explain the concept of retraining; and
- elaborate dimensions of organizational learning.

Structure

10.1 Introduction
10.2 Defining Training
10.3 Needs and Benefits of Training
10.4 Organising Training System
10.5 A Suggested Training System
10.6 Evaluation of Training
10.7 Retraining
10.8 Some Issues in Training
10.9 Making Training a Strategic Function
10.10 Towards Learning Organisation
10.11 Summary
10.12 Self Assessment Questions
10.13 Further Readings

10.1 INTRODUCTION

Training is required at every stage of work and for every person at work. To keep oneself updated with the fast changing technologies, concepts, values and environment, training plays a vital role. Training programmes are also necessary in any organization for improving the quality of work of the employees at all levels. It is also required when a person is moved from one assignment to another of a different nature. Taking into account this context, this unit aims at providing insight into the concept, need and methods of training, also areas of evaluation of training, retraining and dimensions of organizational learning.

10.2 DEFINING TRANING

Training is the most important function that directly contributes to the development of human resources. This also happens to be a neglected function in most of the organizations. Recent surveys on the investments made by Indian organizations on training indicate that a large number of organizations do not even have spend 0.1 per cent of their budget on training. Many organizations do not even have a training department. If human resources have to be developed, the organization should created conditions in which people acquired new knowledge and skills and develop healthy patterns of behavior and styles. One of the main mechanisms of achieving this environment is institutional training. Training is a short-term process utilizing a systematic and organized procedure by which personnel acquired technical knowledge and skills for a definite purpose.

10.3 NEEDS AND BENEFITS OF TRAINING

Training is essential because technology is developing continuously and at a fast rate. Systems and practices get outdated soon due to new discoveries in technology, including technical, managerial and behavioural aspects. Organisations that do not develop mechanisms to catch up with and use the growing technology soon become stale. However, developing individuals in the organisation can contribute to its effectiveness of the organisation.

There are some other reasons also for which this training becomes necessary. Explained below are various factors, giving rise to the need for training.

- Employment of inexperienced and new labour requires detailed instructions for effective performance on the job.
- People have not to work, but work effectively with the minimum of supervision, minimum of cost, waste and spoilage, and to produce quality goods and services.
- Increasing use of fast changing techniques in production and other operations requires training into newer methods for the operatives.
- Old employees need refresher training to enable them to keep abreast of changing techniques and the use of sophisticated tools and equipment.
- Training is necessary when a person has to move from one job to another be3cause of transfer, promotion or demotion.

Such development, however, should be monitored so as to be purposeful. Without proper monitoring, development is likely to increase the frustration of employees if when, once their skills are developed, and expectations raised, they are not given opportunities for the application of such skills. A good training sub-system would help greatly in monitoring the directions in which employees should develop in the best interest of the organisation. A good training system also ensures that employees develop in directions congruent with their career plans.

Hence, a well-planned and well-executed training programme should result in:

- reduction in wastes and spoilage;
- improvement in methods of work;
- reduction in learning time;
- reduction in supervisory burden;
- reduction in machine breakage and maintenance cost;
- reduction in accident rate;
- improvement in quality of products;
- improvement in production rate;
- improvement of morale and reduction in grievances;
- improvement of efficiency and productivity;
- reduction in manpower obsolescence;
- enabling the organization to provide increased financial incentives, opportunity for internal promotion and raising of pay rates;
- wider awareness among participants, enlarges skill; and
- personal growth.

10.4 ORGANISING TRAINING PROGRAMMES

A good system of training starts with the identification of training needs. The following sources can be used for identifying training needs.

Performance Review Reports

Performance review reports help in identifying directions in which the individuals should be trained developed. On the basis of the annual appraisal reports, various dimensions of training can be identified. Training needs identified on the basis of performance appraisal, provide good information for organizing in – company training, and on-the job training for a select group of employees.

Potential Appraisal

Training needs identified on the basis of potential appraisal, would become inputs for designing raining programmes or work-out training strategies for developing the potential of a selected group of employees who are indentified for performing future roles in the organization.

Job Rotation

Working in the same job continuously for several years without much change may have demotivating effects. Some organizations plan job rotation as a mechanism of maintaining the motivation of people. Training is critical in preparing the employees before placing them in a new job.

Besides these, most of the training programmes that are organized today, aim at equipping the managers with new technology. These training programmes attempt to help the managers raise their present level of effectiveness.

A) **Methods of Training**

Analysis of an Activity: List in a logical sequence, the activities in producing product or service or part thereof, and determine what new knowledge or skill is called for or which aspects of present knowledge or skill need to be modified.

Analysis of Problems: To analyse problems and determine what additional skills, knowledge or insights are required to handle it.

Analysis if Behaviour: To analyse typical behavior by individuals or groups and determine the corrective action involving training.

Analysis of an organization: To analyse organisational weaknesses to produce clues to both individual and group training needs.

Appraisal of Performance: To analyse performance and determine of someone should get something, be it additional knowledge, skill or understanding.

Brainstorming: To bring together a homogenous group and to ask individuals in the group to call out any ideas they have for answering a how to question and identify items which call for additional knowledge, skill or attitude.

Buzzing: To ask an audience of supervisors, managers, professional, personnel or others (as long as it is homogenous), as to what the desirable next steps are in the organisation's training programme or 'what additional areas of knowledge (or skill or understanding), do we need to handle our work better'.

Card Sort: To write statements or potential training needs on cards, hand them over to the persons whose ideas are sought, to arrange these cards in what they feel is their order of importance for various training needs.

Checklist: To break down a job, process, programme, activity, or area of responsibility into a list of detailed parts or steps arranged in logical sequence. Then to have checked off by each employee the items about which he feels he would like to have more skill or knowledge.

Committee: To constitute an advisory committee composed of persons responsible for or with a direct interest in an activity to identify training needs.

Comparison : To compare what an individual is doing (or contemplates doing) with what others are doing or have done to learn about new ways to handle old problems, keep up-to-date on new technique and procedures, and fight his own obsolescence.

Conference: To identify training needs and make decisions on ways these needs shall be met.

Consultants: To employ outside consultants to determine training needs and develop ways to meet them.

Counselling: To discuss between a training practitioner and a persona seeking guidance regarding way he can improve his on-the-job performance or prepare for advancement.

In-basket: To measure or test a manager's ability to handle some of the day to day challenges which come to him in writing in his 'in-box' from various sources.

Incident Pattern: To note in terms of success or failure, the responses to special situation and to study the pattern of deviation.

Informal Talks: To meet and talk informally with people for finding clues to training needs.

Interviews: To arrange a formal meeting with the person or group concerned employing the interview techniques.

Observation: To observe such things as may have value as indicators of training needs, especially needs which are just under-the-surface or emerging.

Problem Clinic: To arrange meetings of a homogenous group to discuss a common problem and develop a solution.

Research: To identify implications for training and development as a result of research.

Role Playing: To get clues to his training needs in a skill, an area of knowledge, or in understanding or attitude by observing how each role player acts in a role playing situation.

Self-analysis: To self-evaluate and know what is needed in theory, additional knowledge, skill or insight.

Simulation: To analyse performance in simulated exercise to reveal individual and / or group training needs.

Skill inventory : To establish and annually update an inventory of the skills of their employees and to identify gaps or blind spots in reserve or stand-by-skills.

Slip Writing: To write on a skip the type of training needed and analyse the information on these slips.

Studies: To undertake studies which can turn up training needs which will have to be met fi the plans were adopted.

Surveys: To undertake surveys that can be used to take inventory of operations, employee attitudes, implications of advanced planning, etc.

Tests: To perform test to measure skill, knowledge or attitude and to identify gaps.

Task Force: To constitute a task force which, in analyzing the problem may unearth training needs which must be met before their recommended solution to the problem can be implemented.

Questionnaire: To develop a questionnaire to elicit information which can be used to determine training needs, delimit the scope of the training, identify course contents, etc.

Workshop: To identify in a workshop, the need for further understanding or insight about organization goals or operations.

Activity A: You may be aware of how training needs are determined in your organization. If not, you may contact your Personnel Department for the purpose. Write below the ten most commonly used methods for identifying training needs.

1) …….
2) …….
3) …….
4) …….
5) …….
6) …….
7) …….
8) …….
9) …….
10) …….

B) **Formulation of Training Objectives**

As you have seen earlier, the **first** objectives of training is to prepare employees for the job meant for them while on first appointment, on transfer, or on promotion, and impart to them the required skill and knowledge. The **second** objectives is to assist the employees to function more effectively in their present positions by exposing them to the latest concepts, information, techniques, and developing the skills that would be required in their particular fields. The **third** objectives is to build a second line of competent officers and prepare them to occupy more responsible positions.

C) Formulation of Training Policy

Even though training is primarily the responsibility of the Personnel Department, a suitable training policy has to be evolved by the top management. It should reflect the primary and secondary objectives

mentioned above. A training policy should be able to provide answers to the following questions:

1) What do you want and hop to accomplish through training?
2) Who is responsible for the training function?
3) Should the training be formal or informal?
4) What are the training priorities?
5) What types of training is needed?
6) When and where should training be given?
7) Should training be continuous or casual?
8) How much the employees should be paid during training?
9) Which outside agencies should be associated with training?
10) How should training be related to labour policy?

D) Principles of an Effective Training Programme

A successful training programme should be based on the following principles:

1) The objectives and scope of a training plan should be defined before its development is begun, in order to provide a basis for common agreement and co-operative action.
2) The techniques and processes of a training programme should be related directly to the needs and objectives of an organization.
3) To be effective, the training must use tested principles of learning.
4) Training should be conducted in the actual job environment to the maximum possible extent.

Principles of Learning

Certain principles are followed for developing effective training programmes. Some of these are described below:

1) Every human being is capable of learning.
2) An adequate interest in and motive for learning is essential because people are goal-oriented.
3) Learning is active, and not passive.
4) People learn more and faster when they are information of their achievements.
5) People learn more by doing than by hearing along.
6) Time must be provided to practice what has been learnt.
7) A knowledge of the standards of performance makes learning effective.

8) Learning is a cumulative process. An individual's reaction to any lesson is conditioned and modified by what has been learned by him in earlier lessons and by previous experience.

9) Early success increases in individual's chances for effective learning.

10) Effective learning results when initial learning is followed immediately by application.

11) The rate of learning decreases when complex skills are involved.

12) Learning is closely related to attention and concentration.

13) Learning is more effective when one sheds one's half-knowledge, prejudices, biases, likes and dislikes.

14) Learning to be successful should be related to a learner's experiences in life.

15) Trainees learn better when they learn at their own pace.

E) Training Methods

Various methods of training have been evolved and any one method, or a combination of any two or more of these can be used, depending upon the training requirements and the level of people to be trained.

Training for Different Employees

The employees who are to be trained can be different types and each type would required a different type of training.

Unskilled workers are given training in improved methods of handling machines and materials. The objective here is to secure reduction in cost of production and waste. Training is given on the job itself, by immediate superior officers.

Semi-skilled workers require training to cope with requirements arising out of adoption of mechanization, rationalization and technical processes. Training is given by more proficient workers, bosses or inspectors. It may be given either in the section or department of the worker or in segregated training shops.

Skilled workers are given training through apprenticeship in training centres or in the industry itself.

Salesmen are trained in the art of salesmanship, in handling customers, planning their work, and facing challenges of market place. Supervisory staff constitute a very important link in the chain administration. They have to cope with the increasing demands of the enterprise in which they are employed and to develop team spirit among people under their charge. A training programme for them should aim at helping the supervisors to improve their performance, and to prepare them for assuming greater responsibilities at higher level of management.

All training methods can be broadly classified as (a) on-the-job-methods, and (b) off-the-job methods.

a) **On – the – job- Methods**

Under these methods the principle of learning by doing is used. These methods are briefly described below:

1) **On – the –job Training:** An employee is placed in a new job and is told how it is to be performed. It aims at developing skills and habits consistent with the existing practices of an organization and by orienting him to his immediate problems. Coaching and instructing is done by skilled workers, by supervisors, or by special training instructors. A variety of training aids and techniques are used such as procedure charts, lecture manuals, sample problems, demonstrations, oral and written explanations, tape recorders, etc .

2) **Vestibule Training or Training- Centre:** It involves classroom training imparted with the help of equipment and machines identical to those in use at the place of work. Theoretical training is given in the classroom, while practical work is conducted on the production line. It is often used to train clerks, bank tellers, inspectors, machine operators, typists, etc.

3) **Simulation:** It is an extension of vestibule training. The trainee works in closely 'duplicated' real job conditions. This is essential in cases in which actual on-the-job practices is expensive, might result in serious injury, a costly error or the destruction of valuable material or resources, e.g. in aeronautical industry.

4) **Demonstration and Examples:** Here the trainer describes and demonstrates how to do a certain work. He performs the activity himself, going through a step-by-step explanation of the 'why', 'how' and 'what' of what he is doing. Demonstrations are often used in combination with lectures, picture, text material, discussion, etc. The emphasis under this method is on know-how. The principles and theory of a job must be taught by some other methods.

5) **Apprenticeship:** A major part of training time is spent on the on-the-job productive work. Each apprentice is given a programme of assignments according to a predetermined schedule which provides for efficient training in trade skills. This method is appropriate for training in crafts, trades and technical areas, especially when proficiency in a job is the result of a relatively long training or apprenticeship period, e.g., job of a craftsman, a machinist, a printer, a tool maker, a pattern designer, a mechanic, etc.

b) **Off-the-job or Classroom Methods**

Training on the job is not a part of everyday activity under these methods. Location of this training may be a company classroom, an outside place owned by the organization, an education institution or association, which is not a part of the company.

These methods are:

1) **Lectures:** These are formally organized talks by an instructor on specific topics. This method is useful when philosophy, concepts, attitudes, theories and problem solving have to be discussed. The lectures can be used for a very large group to be trained in a short time. These are essential when technical or special information of a complex nature is to be imparted. The lectures are supplemented with discussions, film shows, case studies, role-playing, etc.

2) **The Conference Method:** Under this method, a conference is held in accordance with an organized plan. Mutual problems are discussed and participants pool their ideas and experience in attempting to arrive at better methods of dealing with these problems. The members of the group come to teach each other and to learn together. Conferences may include Buzz sessions which divide Conferences into small groups of four or five for intensive discussions. These small groups report back to the whole group with their conclusions or questions. This method is ideally suited for analyzing problems and issues, and examining them from different viewpoints. It helps in developing conceptual knowledge, reducing dogmatism and modifying attitudes.

   However, it is suitable only for a small group of, say 20-30 persons, because a larger group often discourages active participation of all the conferees. Under this method the conferees should have some knowledge of the subject to be discussed. They should be good stimulating leaders who can adopt a flexible attitude and encourage members while bringing out the more reserved. They can develop sensitivity to the thoughts and feelings of individuals, summarise material at appropriate times during a discussion, and ensure a general consensus son points without forcing agreement or side-stepping disagreements.

3) **Seminar of Team Discussion:** The group learns through discussion of a paper on a selected subject. The paper is written by one or more trainees. Discussion may be on a statement made by the person in charge of the seminar or on a document prepared by an expert. The material to be analysed is distributed in advance in the form of required reading.

4) **Case Discussion:** Under this method, a real (or hypothetical) business problem or situation demanding solution, is presented to the group and members are trained to identify the problems present, they must suggest various alternatives for tackling them, analyse each one of these, find out their comparative suitability, and decide for themselves the best solution. The trainer only guides the discussion and in the process ensures that no relevant aspect is left out of discussion, and adequate time is spent on each aspect. This method promotes analytical thinking and problem-solving ability. It encourages open-mindedness, patient listening, respecting others' views and integrating the knowledge obtained from different basic discipline. Incidentally, it enables trainees to become increasingly aware of obscurities, contradiction and uncertainties encountered in a business, This method is extensively used in

professional schools of law and management, and in supervisory and executive training programmes in industry.

5) **Role –** Playing: This method is also called 'role-reversal', 'socio-drama' or 'psycho-drama'. Here trainees act out a given role as they would in a stage play. Two or more trainees are assigned roles in a given situation, which is explained to the group. These are no written lines to be said and, naturally, no rehearsals. The role players have to quickly respond to the situation that is ever changing and to react to it as they would in the real one. It is a method of human interaction which involves realistic behavior in an imaginary or hypothetical situation.

   Role playing primarily involves employee-employer relationships, hiring, firing, discussing a grievance problem, conducting a post appraisal interview, disciplining a subordinate, or a salesman making presentation to a customer.

6) **Programme Instruction**: This involves two essential elements: (a) a step-by-step series of bits of knowledge, each building upon what has gone before, and (b) a mechanism for presenting the series and checking on the trainee's knowledge. Questions are asked in proper sequence and indication given promptly whether the answers are correct.

   This programme may be carried out with a book, a manual or a teaching machine. It is primarily used for teaching factual knowledge such as Mathematics, Physics, etc.

Activity B: Find out about the various training programmes used in your organization, as also the types of employees for whom each is used and what it seeks to accomplish. Write these below:

	Programme	Employees for whom used	What is seeks to accomplish
1)	……	……	……
2)	……	……	……
3)	……	……	……
4)	……	……	……
5)	……	……	……
6)	……	……	……
7)	……	……	……
8)	……	……	……
9)	……	……	……
10)	……	……	……

F) Responsibility for Training

If you have realized that training is quite a stupendous task, which cannot be done by one single department, you are right in your thinking.

In fact, total responsibility for training has to be shares among:

- The top management, who should frame and authorize the basis training policies, review and approve the broad outlines of training plans and programmes, and approve training budgets.
- The personnel department, which should plan, establish and evaluate instructional programmes.
- The supervisor who should implements and supply the various developmental plans.
- Employees, who should provide feedback revision and suggestions for improvement in the programme.

10.5 A SUGGESTED TRAINING SYSTEM

After identifying the training needs, the next step is to design and organise training programmes. In large companies it is possible for the training department to organise several in-company training programmes.

For designing the training programme on the basis of the training needs, the following points may be kept in view:

1) Wherever there are sizeable number of people having the same training needs, it is advisable to organise an in-company programme. The organisation can save a lot of cost. Besides, by having the group of people from the same work place mutuality can be inculcated. The probability of the trainees actually applying what they have learnt is high because of high group support.

2) Whenever new systems have to be introduced training is needed to develop competencies needed to run the systems.

3) It is better to aim at in-company programmes for technical skills wherever possible and outside programmes for managerial and behavioural development.

4) People performing responsible roles in the organisation should be encouraged to go out periodically for training where they would have more opportunities to interact with executives of other organisations and get ideas as well as stimulate their own thinking.

5) The training department should play a dynamic role in monitoring the training activities. It should continuously assess the impact of training and help the trainees in practising whatever they have learnt.

6) Whenever an individual is sponsored for training he should be told categorically the reasons for sponsoring him and the expectations of the organisation from him after he returns from the programme.

Most companies do not inform the employees why they have been sponsored; such a practice reduces learning, as the employees sponsored are more concerned about the reasons for being sponsored than actually getting involved in and benefiting from the training.

10.6 EVALUATION OF TRAINING

Many organisations, especially industries, have been concerned with the difficult but critical question of evaluation. Training managers or organisers are also concerned with this question. All books on training have dealt with this issue, but no satisfactory and comprehensive accounts of evaluation are available.

For the preparation of a comprehensive conceptual framework of training evaluation and an effective strategy of evaluating training programmes and system, it is necessary to consider several aspects of evaluation. The basic question in this regard relates to the value of evaluation: why evaluate training? Hamblin has discussed this question very well—that evaluation helps in providing feedback for improvement (and better control) of training. When we discuss feedback and improvement, two relevant questions are raised: feedback to whom? Improvement of what? The former question relates to the main client groups, and the latter to the main dimensions and specific areas of evaluation.

Two additional questions are: how should evaluation be done? What specific ways should be adopted for it? These questions relate to the design and techniques of evaluation, respectively.

A) **Main Clients**

There are several partners in the training act and process, and all of them are the client of evaluation. Their needs for feedback and use of feedback for improvement (control) will naturally be different with some overlapping. There are four main partners in training (and clients for evaluation):

1) The participants or learners (P)

2) The training organisation or institute (I) including

   a) Curriculum planners (CP)

   b) Programme designers (PD)

   c) Programme managers (PM)

3) The faculty or facilitators or trainers (F)

4) The client organisation, the ultimate user and financier of training (O)

Literature on training evaluation has not paid due attention to this respect.

B) **Dimensions of Evaluation**

Attention has been given to the main dimensions of training, and most of the suggested models are based on these. Four main dimensions have usually been suggested: contexts, inputs, outputs, and reaction. The last dimension is not in the same category as the other three. Reaction evaluation can be of contextual factors, training inputs, and outcomes of training.

In all discussions of training evaluation the most neglected aspect has been the training process which cannot be covered by training inputs. The climate of the training organisation, the relationship between participants and trainers, the general attitudes and approaches of the trainers, training methods, etc., are very important aspects determining the effectiveness of training. Evaluation of the training process, therefore, should constitute an important element. We may thus have four main dimensions of evaluation: evaluation of contextual factors (C), evaluation of training inputs (I), evaluation of training process (P), and evaluation of training outcomes (O).

C) **Areas of Evaluation**

The various areas of training evaluation need more attention and elaboration. Seven main areas, with some sub-areas under each, are suggested for consideration. These are shown in Exhibit 1 in sequential order; the exhibit also shows the conceptual model of training, by relating the areas to the dimensions. This model is based on the following assumptions.

Exhibit 1 : Coverage of Evaluation

	Area of Evaluation	Dimension
1)	Pre-training Factors a) Preparation b) Learning Motivation c) Expectations	Context
2)	Training a) Curriculum Including b) Specific Events c) Specific Sessions	Events
3)	Training Management a) Areas of Satisfaction/Dissatisfaction b) Training Facilities c) Other Facilities	Context
4)	Training a) Learning Climate b) Training Methods (Pedagogy) c) Trainer Team Effectiveness	Process
5)	Participant Development a) Conceptual Development	Outcome

	b) Learning of Skills c) Change in Values / Attitudes d) Change of Behaviour e) Application	
6)	Organisational Development a) Job Effectiveness b) Team Effectiveness c) Organisational Effectiveness	Outcome
7)	Post-training Factors a) Cost b) Organisational Support c) Organisational Factors Hindering or Facilitating Use of Training	Context

1) Effectiveness of training depends on the synergic relationship and collaborative working amongst the four major partners of training (participants, training organisation, trainers and client organisation). Hence evaluation should provide the necessary feedback to these for contributing to training effectiveness.

2) Training effectiveness depends not only on what happens during training, but also on what happens before the actual training (pre-training factors) and what happens after the training has formally ended (post-training factors). Evaluation cannot neglect these important contextual factors.

3) Various aspects of the training process that are not direct training inputs (for example also contribute to its effectiveness. Evaluation should, therefore, also focus on these factors.

4) The focus or the main task of evaluation should not only be in the nature of auditing (measuring training outcomes in terms of what has been achieved and how much), but should also be diagnostic (why the effectiveness has been low or high), and remedial (how effectiveness can be raised).

D) **Design of Evaluation**

The overall design of evaluation helps in planning the evaluation strategy in advance. Evaluation designs can be classified in various ways. Two important dimensions, however, are the time when evaluation is done (or data are collected), and the group, or groups involved in evaluation (or data collection). Data on relevant aspects may either be collected only once after the training is over, or on two (or several) occasions before training interventions, and later again, after the training is over. On the other hand, only one or more group that undergoes training may be involved in evaluation. These methods give us four basic designs of evaluation. Longitudinal design (L) is one in which data are collected from the same group over a length of time , usually on several occasions, but at least twice,

i.e., before and after training. In the latter case, it is called "before-after" design.

In *ex post facto* design (E), data are collected from the group which has been exposed to training only after the training is over. Obviously, this design has inherent limitations in drawing conclusions from evaluation. But in many practical situations this is reality, and is a challenge for evaluation designers to devise ways of extracting the most in such a design.

Comparative survey design (S) may involve collection of data from many other groups, in addition to the group exposed to training. In this design also there is no control and there are limitations in drawing conclusions.

The design with a great deal of control and sophistication is the matched group design (M). Several variations of this design can be used. Another group, matched on some significant dimensions with the group being exposed to training, can be identified, and data can be collected from both, once *(ex post facto)* or several times *(longitudinal).* Or, matched sampling can be selected for a comparative or cross-sectional survey. The design can be made very sophisticated with several matched groups (one with training "treatment", another with a different type of treatment, and the third with no treatment, combined with E and L designs, and making it a "blind" study investigators not knowing which group is of what category). Both experimental and quasi-experimental designs can be used.

Enough literature on these designs is available. Hamblin has referred to some of these, but not in a systematic way. He makes a distinction between the "scientific" approach (rigorous evaluation to test hypotheses of change) and the "discovery" approach (evaluation to discover intended and unintended consequences). This distinction does not serve any purpose and is, in fact, misleading. There can be variations in the degree of sophistication and rigour. Also, there may be different objectives of evaluation. Evaluation may be used as part of the training process to provide feedback and plan for using feedback. Evaluation may be made to find out what changes have occurred in terms of scope, substance and sustenance in the letter case, the design will be more complex and more sophisticated. As already discussed, the purpose of evaluation will began on the main clients of evaluation and what they want to know.

E) **Evaluation Techniques**

These can be classified in various ways. One way to classify them into response (reactive) techniques (R). Techniques requiring some kind of response produce some reaction inthose who are responding. The very act of asking people questions (orally or in a written form) may produce change. Since they produce reactions they are called response or reactive techniques.

Other techniques can be called unobtrusive measures or secondary source data technique(s); the word "unobstrusive" being borrowed from Webb *et al.* (1970). These make use of available data or secondary source data. Hamblin calls them "keyhole" techniques, thereby expressing his disapproval of such measures.' There is no reason to consider such measures as unethical. All

indicators, indexes, etc., are such measures. For example, to measure whether general morale has improved in a unit, it may be more useful to use secondary source data like examining figures of absenteeism rather than asking questions. Similarly, an unobtrusive measure or secondary source data may be much more creative and imaginative and need to be discovered and used more often for evaluation. However, if some data are collected about individuals' behaviour (whether by asking others or unobtrusively) without their knowledge and approval, which may be unethical. This applies as much to responsive techniques as to unobtrusive ones, because collecting information from a third person without the approval or knowledge of the person being studied, is unethical.

Another non-reactive technique, a very old one, is that of observation (O). Observation can also become a reactive technique if persons being observed know that they are being observed.

The method of data collection for response or reaction techniques (R) may include interviews, written reactions (questionnaires, scales, open-ended forms), and projective techniques. One additional method in this category worth mentioning is group discussion and consensus report. In many cases, discussion by a small group consisting of individuals having experience and with a adequate knowledge about it may give better evaluation results than figures calculated from routine responses.

Advances in scaling techniques have made the greatest contribution to the development of evaluation techniques. Techniques based on well-prepared instruments to measure various dimensions are being increasingly used. Various methods of scaling can be used to develop effective evaluation techniques. The three well-known scaling techniques associated with Thurstone, Likert, and Guttman, can be imaginatively used in preparing new evaluation tools. More recent developments have opened new vistas for sophistication in evaluation work.

Hamblin has done as excellent job in discussing the studies in training evaluation to illustrate the techniques used. His book will be found very useful for this. Whitelaw has also cited some studies but has not been able to integrate them. At the end of his book, Hamblin has summarised the various techniques discussed under his five-level model.

Reaction: Reaction scales, reactions notebooks and participation, observers' records, studies of inter-trainee relationships, end-of-course reaction form, post-reactions questionnaires and interviews, and expectations evaluation.

Learning**:** Pre-course questionnaires to instructors; programmed instruction; objective tests, essay-type written or oral examinations, assessment by trainees of knowledge changes; skill and task analyses, standardised tests of skill; tailor-made techniques for evaluating skill, assessment by trainees of skill changes; standardised attitude questionnaires; tailor-made attitude questionnaires; semantic differential scales; and group feedback analysis.

Job Behaviour*:* Activity sampling; SISCO and Wirdenius techniques; observers' diaries; self-diaries with interview and questionnaires; appraisal

and self-appraisal; critical incident technique; observation of specific incidents, depth interviews and questionnaires; open-ended depth techniques; and prescription for involving management in the training process.

Organisation*:* Indexes of productivity, labour turnover, etc., studies of organisational climate; use of job behavioural objectives to study behaviour of non-trainees; and work flow studies.

Ultimate Value*:* Cost-benefit analysis and human resources accounting.

An illustration of systematic evaluation has been given in Illustration 1.

Illustration 1 : An Illustration of Systematic Evaluation

A good example of systematic evaluation is available from a study of the State Bank Staff College (SBSC) titled, Training Evaluation System: Branch Manager Programme-A Study on the Impact of Training on Branch Managers. This is one of the several reports the State Bank Staff College is planning to bring out on their programmes. In this report they have taken the branch management programme for evaluation. Management programmes were organised by the State Bank Staff College for rural branches, urban/metropolitan branches, industrial branches, and agricultural development branches. Eight programmes, completed between October 1976 and April 1977, were taken up for evaluation. About 206 branch managers from various circles of the bank had participated in these programmes.

In the study, the framework of evaluation has been stated in the beginning emphasising: pre-training stage (performance gaps); training stage (training design); and post-training stage (assessment whether the gaps were filled). In order to measure the impact of training on various

aspects, key responsibility areas (KRAS) of the branch managers have been identified as follows: business, quality of advances, external service, internal administration, and staff relations. These have been analysed into the performance process and performance results. The objectives of the training programme have been analysed in relation to these areas.

As part of the evaluation study, both participants and the "controlling authorities" were approached. It was very encouraging to note that 92 per cent of the participants and 85 per cent of the controlling authorities responded to the study at the pre-training stage; for the post-training stage the figures were 51 and 56 per cent respectively. Written questionnaires were used and interviews were conducted. In addition to questions on various aspects of the role of branch managers and the KRAS, some psychological measures were also included: working in the organisation; job related items; leadership style (Fiedler's LPC scale); and interpersonal orientation (FIRO-B).

10.7 RETRAINING

Retraining programmes are designed as a means of avoiding personal obsolescence. It is the tendency of the individual worker to become outdated in terms of job requirements. This is true of employees at every in the organization.

However, retraining is focused on rank-and-file workers. This is so because their number is large and technological change makes its immediate impact on those who work closer to technological resources. Besides they are less equipped to foresee their personal needs and because they require more assistance in advance planning than do others.

Workers require refresher course to help them recall what they have forgotten and to overcome some practices they have come to accept as satisfactory. They also need to bring them with respect to relevant new knowledge and skill. The need for retraining also arises as a result of technological changes resulting in changes in equipment, tools, and work methods.

10.8 SOME ISSUES IN TRAINING

Improvement of training in organisations requires paying attention to some critical dimensions. The role of training for development of people and organisations has been discussed separately in detail, including pre-training work, curriculum development, selection of methods, building a training establishment and post-training support and follow-up (Lynton and Pareek, 2000). However, a few important dimensions which require special attention in organisations are discussed here.

1) *Learning*

The main function of training is to facilitate learning. The most effective learning is self-initiated and self-managed learning. Training should help in developing a culture of self-managed learning. In general, learning by discovery is more internalised and is longer-lasting than didactic learning from others.

Below are suggested 15 different conditions to make learning effective. For this purpose, learning has been defined as "the process of acquiring, assimilating, and internalising cognitive, motor or behavioural inputs for their effective and varied use when required, and leading to enhanced capability of further self-monitored learning".

i) Authentic and open system of training institution or the place of learning.
ii) Non-threatening climate.
iii) Challenging learning tasks.
iv) Collaborative arrangements for mutual support of learners.
v) Organisation of graduated experiences of challenging successes.
vi) Mechanisms for supportive and quick feedback.
vii) Opportunities to practise the skills learnt.

viii) Opportunities to apply learning.

ix) Opportunities for and encouragement to self-learning.

x) Opportunities for and support to experimentation.

xi) Emphasis on learning through discovery.

xii) Indirect and liberating influence by trainer/teacher through minimum guidance.

xiii) Trainer's/teacher's human values and faith in man.

xiv) Trainer's/teacher's high expectations from learners, and openness to examine own needs.

xv) Trainer's/teacher's competence.

2) **Pre-training Work**

Unless attention is paid to the following pre-training work, training cannot succeed in developing people, groups, and organisations: proper identification of training needs; developing a strategy of development of people through training, including the rationale and criteria of who (which role occupants) should be sent for training, how many at a time and, in what sequence; the process of helping people to volunteer, and the departments to ask for training; pre-training workshop in some cases to raise the level of motivation of participants and finalise the curriculum; building expectations of prospective participants from training, etc.

3) **Post-training Work**

Equally important is what is done after the training is over. The training section needs to help the concerned managers to plan to utilise the participants' training, and provide the needed support to them. Post-training work helps in building linkages between the training section and the line departments. Follow-up work by the training section is critical.

4) **Expanding the Training Concept**

The concept of training has to be widened and training should include not only programmes involving face-to-face classroom work, but should also include other ways of providing information and giving necessary skills to people in an organisation. In fact, getting people together in a group for giving information which can be given in some other form is a waste of resources. Moreover, the organisation cannot afford to provide the necessary information and skills on all aspects to all those who need it, by using the classroom model of training. Self-instructional packages and manuals of various kinds can be very rich and useful resources of training, even without collecting people at one site. For example, all those who join the organisation should know about the budgetary processes and the concept of transfer price. If a self-instructional book is prepared on this subject, this can be given to anyone who joins the organisation so that he gets familiar with this concept and can understand the whole process of all the negotiations taking place in the company. It may, therefore, be recommended that a list of areas in which such self-instructional material can be prepared should be developed. This may include the new sales tax rules, new environmental changes, basic

financial problems, calculating contribution, etc. Similarly, manuals of simple office procedures, leave rules, various personnel practices, etc., may also be prepared. However, the immediate superior officer may help the employees by calling them for dialogue and further clarifications after the employees have learnt through such self-instructional books.

5) Preparation of Training Materials

There is a great need to develop more training materials. Unfortunately, most of the training programmes use only the lecture method. While the lecture method itself needs improvement through use of small group discussions, etc., new training materials need to be developed. These will include simulation exercises and games, role play cases and material, cases and incidents, practical work manuals, tests and instruments, and self-instructional materials. Preparation of such material involves large investment of money, time and energy. But it is still worthwhile, and will have much higher pay-off than the cost of the investment. In some cases an Organisation can get help from outside experts in the preparation of such material, especially simulation exercises and games, role plays, cases, and self-instructional material.

10.9 MAKING TRAINING A STRATEGIC FUNCTION

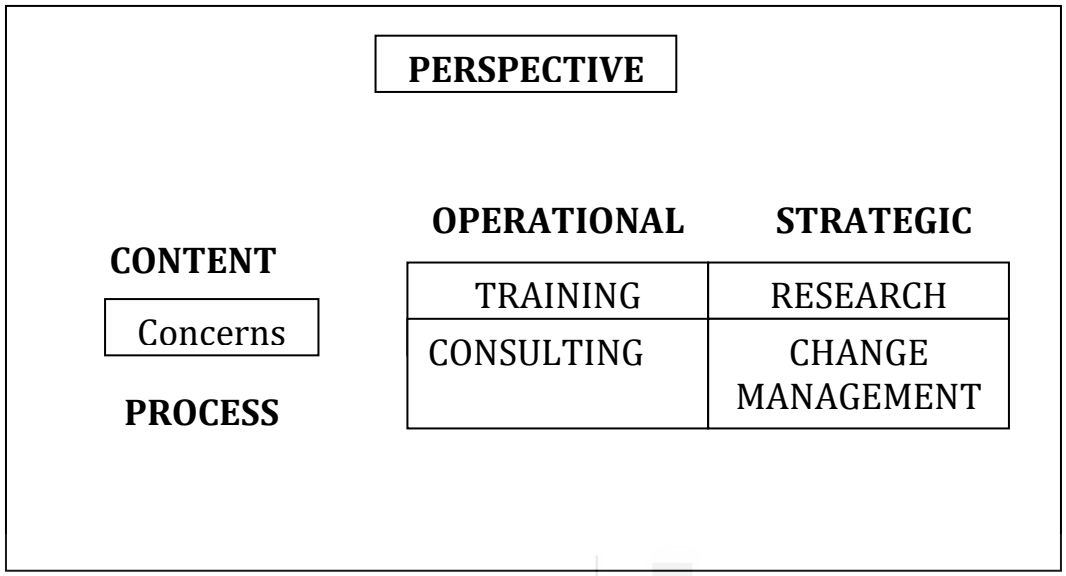
Turnaround in thinking on training is already evident - that it must move from periphery to the centre, from being a service function to partnership in the main task of the

organisation. In a recent study of HR reiengineering at 34 large US companies 69% respondents mentioned "repositioning of HR as a strategic business partner with the management" as a re-engineering goal. The same is true of training.

Training is concerned with increasing organisational effectiveness. So far the approach of training has been to offer/organise training for specific competencies. The movement is in the direction of training becoming more proactive, and contribute to strategic thinking of the organisation. This swing is sometime seen as abandoning the previous position and taking a new one. Repositioning does not mean taking an "either or" position. Repositioning involves expanding the role and emphasising the strategic role, of training. While the strategic role is important, the other roles are not to be neglected.

Training should attend both to the current as well as the future needs. The current perspective is more operational, while the futuristic perspectiveis strategic. The other dimension relevant for the role of training is that of content vs process. While the former emphasises the development of specific competencies, the latter is concerned with developing learning and empowering capability. If we combine these two dimensions, we get four training modes as shown in Exhibit 2.

Exhibit 2: Training Modes



All the four modes of training are important. However, increasingly training must move towards transformational and strategic roles. Exhibit 3 shows the foci, objectives, and postures, for these four training modes. We shall briefly discuss these, taking the four main roles of training.

Exhibit 3: Training Modes in Details

Content Concern Process	**Focus** **Objective** **Posture** **Focus** **Objective** **Posture**	*Training* Current Role Role Effectiveness Implement	*Research* Multiple Roles Org. Effectiveness Provide input
		Consulting	*Change Management*
		Teams Synergy(Team Building) Help	Leadership Transformation Partner

Training Role: Training system should develop needed competencies for various role occupants. The emphasis is on making the current roles in the organization more effective by equipping people occupying these roles with the needed competencies. Training takes current strategy and implements it in terms of development of needed competencies. The trainers should deliver good training. And o do this they themselves must have the relevant technical competencies.

Research Role: In order to move in the strategic direction, trainers need to search what competencies are needed and will be needed in the organisation. Training then assumes two more functions: searching future competencies, and developing them. Since the narrow boundaries of roles are breaking

down, a person should develop flexibility to perform various roles. Multi-skilled workers is a good example of such effort. This becomes the first essential step for developing autonomous work groups and self-managed teams. The trainers, who function as researchers, need to develop their deep insight into organisational needs and process. Trainers should develop research competencies, especially those of action research.

Consulting Role: Greater emphasis on organisational effectiveness, rather than only on individual role effectiveness, will require more group process-orientation of trainers. Development of effective teams influence both the effectiveness of the individual team members as well as organisational effectiveness. The emphasis is synergy building, thereby enhancing effectiveness of each member. This can be done if the trainers advance with their research competencies into a consulting role - - analyse problems, develop and use interventions involving concerned line people to deal with the problems, help in implementing the agreed action plan, and support it to stabilise the decisions. This is one step further in contributing to the strategic process. Training is then seen as a useful function for developing organisational strategy. Trainers should develop both sharper understanding of the organisational strategy, and consulting competencies to play this role effectively. Training function should be used more frequently for international consulting. Trainers then will also develop more hand-on experience, which will make training more realistic and relevant.

Change Management Role: This is the real strategic partnership role. The focus of training is to develop leadership at all levels in the organisation - the ability of strategic thinking, taking responsibility, creativity to find alternative solutions, and empowering others. The objective is to transform the organisation, to make paradigm shift if needed. Training then becomes a true strategic partner. This is not possible without involvement of the trainers in the main business of the organisation, and gaining relevant business knowledge.

Translating Business Strategy into Training Terms

Successful implementation of the business strategy of an organisation will require some competencies. Business strategy indicates the broad direction for the future movement of an organisation, and preferred ways of doing so. for successful implementation, the organisational tasks must be translated into various functional terms: marketing, financial, technology, human resources, training etc. This helps to make strategy formulation and implementation participative.

The overall organisational or "business" strategy should provide the framework for developing the training strategy to facilitate effective implementation of the strategy. It will include detailed approach to be adopted, competencies to be developed (in what thrust, evaluation etc. Training strategy thus prepared may be reviewed by all the functional leaders preparing the strategies which must be integrated into the main strategy for better synergy.

Working More Closely with Line Managers

People dealing with training should work more closely with line people. They are already working with line people in the areas of coaching, counseling, training, strategy planning for the departments etc. When cross-functional task forces and implementation teams are set up, training people should join these. Similarly, when teams are set up to discuss training issues etc., line people should be invited as members. Such close working together may help in integrating training with the various business groups, and making training a strategic partner.

Rosow and Zager have made some recommendations to forge stronger links between training and business strategy (Exhibits 4 & 5)

The partnership in training should be based on value-added partnership of the trainers and training system. As strategic partners training people should raise serious discussion on how organisational strategy should be developed, and how it can implemented faster. Effective partnership comes out of professional competence and credibility.

Exhibit 4: Making Training a Strategic Partner

1) The vice-president responsible for the training function should be actively involved in formulating corporate strategy, to ensure that:
   - Strategic goals are realistically ambitious with respect to the reservoir of skills that will be available to meet them
   - The training function will be able to help top management communicate corporate strategy throughout the organisation and to help managers translate the strategy into training needs.
2) The vice -president for the training function should ensure that all training programs (1) are necessary to the corporate strategy; (2) are recommended by (and, if possible, budgeted to) the managers whose employees are to be trained; and (3) help the trainees progress along the career paths jointly set by them and their managers.
3) The effectiveness of a program should be measured by how fully and how durably the trainees have mastered the subject matter.
4) The most controversial-and potentially the largest-factor in measuring the cost of a program is whether the trainee's time spent in training should be considered a cost. Since training (assuming that its objectives are strategically necessary) is an essential part of every job, we recommend that it not be considered an added cost. On the other hand, management should count as a cost any additional expense incurred to cover the trainee's work while training is in progress.
5) When an employer invites an employee to be retrained, it should ensure that the employee becomes fully acquainted, as early as possible, with the new position, work unit, and supervisor, whether the position is

within or outside the firm. Such acquaintance maximizes the trainee's ability to learn and to apply the new skills.

Exhibit 5: Aligning Training strategy with Corporate Strategy

1) The Chief executive officer (CEO) and senior associates should include a training plan as a critical component of the corporate strategic plan, to ensure that all levels of the organisation will have the knowledge and skills to carry out the strategic plan. The training plan should distinguish clearly between (1) tactical programs designed to meet current needs, and (2) strategic programs designed to keep up with - and even anticipate-changes in technology, competition, and work-force standards, as well as with the rapid obsolescence of occupations.

2) The CEO should regularly monitor the training function to ascertain that (1) program priorities match those of the corporate strategy, (2) program cost and skill objectives are valid, and (3) program cost and skill objectives are met.

3) Employers should think of their organisations as, in a sense, institutions for continuous learning, and should make them function as such. They should, therefore, aim to involve all employees in all stages of training, from needs analysis through evaluation.

4) Where employees are presented by unions, employers should invite the unions to share in the design and administration of training for their members. Unions should press for and accept such joint programs, but they should be careful to take on responsibility no faster than they acquire the skills and experience to discharge it.

5) To institutionalize continuous learning throughout the organisation, the employer should encourage employees to make special efforts to learn - and/or to help other employees learn - skills valuable to the employer. Encouragement should take such forms as:

6) A clear declaration that continuous learning and helping other employees to learn are integral parts of every job and every employee's responsibility.

7) Favorable structures and mechanisms, for example, learning by objectives, train-the-trainer programs, continuous learning centres, semiautonomous work teams

8) Appropriate rewards, for example pay raises, eligibility for promotion, recognition by peers

9) Where a union is present, a jointly administered training program and fund

10) Training, with focus of competency building amongst various organisational units, requires collaboration amongst several players in the organisation. Partnering by different key persons in the organisation is important for the success of training.

As Sloman (1996,) says "If training in the organisation is to become more effective, action will be required from trainers, academics, business schools, consultants and Government. While external agencies like management institutions, academics, consultants and the government are important for making training effective, the more critical role has to be played by the internal people in the organisations". Exhibit 6 summarises the various roles of external agencies as suggested by Sloman (1996).

Exhibit 6: Ways of Enhancing the Training Function

The role of the training function would be enhanced if

TRAINERS

- developed their own clear model of the role in their own organisation and communicated it accordingly
- participated in appropriate networks to keep abreast of the debate on the changing nature of the function

ACADEMICS, BUSINESS SCHOOLS AND CONSULTANTS

- recognised that the place of training in most organisations does not correspond to best practice, and developed models accordingly
- concentrated efforts on the need to produce practical instruments for translating anorganisation's strategic policy into human resource terms.

GOVERNMENT

- recognised the limitations of public statements on the importance of training
- introduced fiscal measures designed to ensure that employers invest at least a specified amount in the training of their workforce.

In Exhibits 7 and 8 are reproduced several recommendations culled out from Rosow and Zager, (1988) for aligning training with technology strategy and with financial strategy respectively.

Exhibit.7: Aligning Training with Technology Strategy

1) The manufacturer of new technology should, in its own self-interest, take responsibility for ensuring that the user becomes capable of operating the new technology profitably.

2) Such a relationship is advantageous to the manufacturer because (1) it binds the user to the manufacturer in goodwill; (2) it gives the manufacturer a competitive edge in acquiring marketable innovations and adaptations developed by the user; (3) it helps the manufacturer develop improvements in current technology and designs for newer technology; and (4) it minimizes the possibility of user disappointment, which acts as a drag on sales.

3) Since formal training is an indispensable part of implementing new technology, manufacturer and user should jointly develop a training strategy that will ensure profitable operation by the user. The manufacturer should act either directly or through a third party for whose performance it accepts responsibility.

4) The manufacturer should adopt a formal business plan that establishes the function of user training as a critical element of long-term business survival and growth.

5) Training needs and costs should be included as an explicit part of the investment in new technology. Hopes of accomplishing training cheaply and by improvisation are doomed to failure.

6) Manufacturer and user should jointly secure that the user's employees learn not only the technical aspects of operating, troubleshooting, and maintaining a system, but also the scientific and technological principles on which it is based. This will enable the user's employees to solve problems on equipment of all kinds.

7) Manufacturer and user should pay early attention to how the new technology will affectorganisation, decision-making patterns, work rules, job design, communications, and learning systems. These issues require advance planning and may determine the success of the organisation. Ad hoc or ex post facto decisions are often too little, too late, and too costly.

8) When an integrated system is assembled from components supplied by multiple vendors, the user should seek the assistance of an organisation whose expertise encompasses both training and most or all of the technologies involved.

Exhibit 8: Aligning Training with Financial Strategy

1) Senior management should require training proposals to include clear-cut information related to cost-effectiveness, including need, objectives, content, design, and delivery. Costs should be related to subject matter and performance-involvement goals. Comparative cost data should be required whenever possible.

2) Senior management should evaluate cost-effectiveness in terms of agreed-upon objectives - specifically whether the functional elements are shaped and combined in the manner best suited to the organisation's needs. The key elements include project management, use of in-house versus outside talent, instructional design, course development, and delivery systems.

3) Employers should give serious consideration to the continuous learning/employment security connection as a strategy for the long-term survival and growth of the enterprise.

4) Employers should give as broad a guarantee of employment security as they can manage, to strengthen work-force receptivity to the continuous change and continuous learning that competition demands. At the least,

they should guarantee that no program for introducing new technology into the workplace will cause employees to lose employment or income.

5) Employers should evaluate the costs of retraining career employees as compared with the visible and hidden costs of separation and replacement with the new, trained outsiders. Often the costs of retraining (combined with the advantage of stability of the work force) may be lower, and the costs of dismissal or retirement and the hiring of new people may be higher, than appears on the surface.

6) To promote employment security, which is key to high productivity, employers should assign responsibilities and establish routines to (1) anticipate the obsolescence of current jobs and the emergence of new jobs, (2) identify current employees who can be advantageously retrained for the emerging jobs, (3) provide employees with early opportunities to volunteer for education and training, and (4) ensure that employees are ready to enter the new jobs when needed. Where there is a union, it should be involved in these activities insofar as they apply to employees in the bargaining unit.

7) Employers should anticipate unavoidable displacements or forced dismissals as far ahead as possible and use the lead time to develop market-oriented re-training and outplacement programs. Economic supports should be built into the programs to reinforce employment security.

10.10 TOWARDS LEARNING ORGANISATION

Organisation-wide learning, widespread and as a clear concept, dates only from the 1970s, and that learning had to be continuous only from the 1980s. Continuous learning that also embraces the environment—the organization-in-its-environment—has been the top agenda since the 1990s.

The organisation-wide learning view is already a long way from viewing training as something for individuals, or a class, or a team at work or play. The next step however, and each step after, does not follow at all smoothly. Each calls for reconceiving the change effort and so also the training for it. The very next step makes occasional into permanent effort, and this can usually not be done with merely stretching what is already there but often calls for programming, resources, and integration of a different order, and reorganisation. The next step again then broadens the perspective beyond the organisation to include people outside, and not just as clients, suppliers, or more or less distant regulators or other officials as before and one-by-one, but as essential partners and together.

Turbulence, newly and reluctantly recognised as the now normal state of the environment and fed by instantaneous global information and tremors of all kinds, causes the shift to a continuously learning organisation. It is a basic shift, to a different disposition for the organisation as a whole. It orients and prepares the organisation differently, different even from the recent past when its people expected and then also buckled down to making a learning

effort from time-to-time and here and there in the organisation, and even when lately that exigency occurred ever more frequently. So the shift is not just for more economy of effort and smoothing out interruptions of normal living and working.

Urgent as it is, understanding this move, from spasmodic organisation-wide learning to a continuously learning organisation is essential, and can be achieved by collaborative effort. Exhibits and extracts from major works may serve best for an overview and also for connecting readers with the works themselves for fuller exposition of views of special interest to them.

Exhibit 9 contrasts organisational learning with a continuously learning organisation on the six dimensions highlighted in organisational studies since the 1970s. What Chris Argyris calls 'double-loop learning' sets the stage for the rest: not only is something learned that improves task performance (= single-loop learning), but the organisation too takes note and modifies its policies, structure, ways of operating, and whatever else is necessary to support that change and to promote further changes. In both cases, learning only registers when it shows in improved performance.

The key difference lies in the scope of that performance: in single-loop learning, even if it be organisation-wide, the organisational framework remains unchanged; in double-loop learning, the organisation uses the learning for changing its framework as well. Indeed, when that becomes its culture, it expects and is continuously prepared for using innovative inputs for improving performance directly and also improving itself. Basic to this shift is what Harold Bridger, a founder member of the Tavistock Institute in London, calls the 'double-task': learning for improved performance plus learning *how* the improvement is effected, for use next time and also to guide adjusting the framework so it can support further learning.

Exhibit 9: Organisation – wide Learning and Learning Organisations

	Organisation-Wide Learning	***The Learning Organisation***	***Source***
1)	Single-loop learning	Double-loop learning	(Argyris, 1977)
2)	Incremental	Transformational	**(**Argyris and Schon, 1978)
3)	Lower-level	Higher-level	(Fiol and Lyles, 1985)
4)	Adaptive	Generative	(Senge, 1990)
5)	Tactical	Strategic	(Dodgson, 1991)
6)	Occasional	Continuous	

Training needs to be re-oriented so that it become a strategic function, and contributes not only to the development of individuals and teams, but is able to help the organization become a learning organization. Training, therefore, deserves rethinking and replanning.

10.11 SUMMARY

To sum up, training is the act of increasing the knowledge and skill of an employee for doing a particular job. Training is required in every organization so as to cope the employees with the emerging trends. There are various methods of training as discussed in this unit. Depending upon the training need analysis, a particular method of training is chosen for the employee(s). Nowadays training has almost become a strategic function of an organization. Evaluation of training is an important as execution of training and the concept of retraining is based on this.

10.12 SELF ASSESSMENT QUESTIONS

1) Define training and discuss its importance.
2) How training needs are identified in an organization?
3) Describe the methods of on-the-job training.
4) Explain the concept of organizational learning with examples.

10.13 FURTHER READINGS

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UNIT 11 COMPENSATION AND REWARDS MANAGEMENT

Objectives

After reading this unit, you should be able to:

- appreciate compensation management function and objectives;
- analyse compensation issues and trends;
- assess the characteristics of executive compensation and its determinants;
- understand the principles and practices of compensation administration;
- identify the major components of wage structure in India;
- formulate different reward systems in an organisational setting; and
- take note of different types of employee benefits and their trend.

Structure

11.1 Introduction

11.2 Compensation Management

11.3 Compensation Policies and Objectives

11.4 Compensation Administration

11.5 Compensation Determinants

11.6 Compensation survey

11.7 Compensation Structure

11.8 Compensation Structure in India

11.9 Executive Compensation

11.10 Reward Systems

11.11 Forms of Reward

11.12 Employee Benefits

11.13 Summary

11.14 Self Assessment Questions

11.15 Further Readings and References

11.1 INTRODUCTION

One of the most difficult functions of human resource management is that of determining the rates of monetary compensation. It is not only complex, but significant both to the organisation and employees. Employee compensation decisions are crucial for the success of an organisation. From a cost perspective alone, effective management of employee compensation is critical because of the total operating costs. Another reason for studying

compensation from the organisation's perspective is to assess its impact on a wide range of employee attitudes and behaviours and, ultimately the effectiveness of the organisation and its units. Compensation may directly influence key outcomes like job satisfaction, attraction, retention, performance, skill acquisition, cooperation, and flexibility.

Reward systems and their role in organisations have been studied from many perspectives and by multiple disciplines. Economics, sociology and psychology, in particular, have contributed to the growing literature on reward systems. Reward systems have a wide-ranging impact on organisations, and that their impact is greatly affected by their design and by the organisational context in which they operate. Thus, to understand pay systems in organisations, it is necessary to focus on the characteristics of both the organisation and the pay system. Often new lines of business require a different approach and therefore a different reward system. Simply putting, the old reward system in the new business is often not good enough and indeed can lead to failure. On the other hand, developing a new reward system for one part of an organisation can cause problems in other parts because of the comparison made between different parts.

11.2 COMPENSATION MANAGEMENT

The compensation function contributes to the organisational effectiveness in four basic ways:

1) Compensation can serve to attract qualified applicants to the organisation. Other things being equal, an organisation offering a higher level of pay can attract a larger number of qualified applicants than its competing units.

2) Compensation helps to retain competent employees in the organisation. Although retaining competent workers is contingent on many factors, compensation policies help by maintaining a fair internal pay structure and by providing attractive benefits. Turnover is thus reduced, along with costs associated with recruiting, selecting, and training replacements.

3) Compensation serves as an incentive to motivate employees to put forth their best efforts. Manufacturing and sales organizations, for example, use monetary incentives to attain higher levels of production or sales without hiring additional employees. When employees put forth their best efforts, average productivity of labour increases. With increased productivity, fewer employees are needed to achieve the same level of output. Thus, labour costs are reduced and organisational profitability is increased.

4) Minimising the costs of compensation can also contribute to organisational effectiveness since compensation is a significant cost for most employers.

In brief, compensation is provided for two reasons, namely; as a reward for past service to the enterprise, and as stimulus to increased performance in the future.

11.3 COMPENSATION POLICIES AND OBJECTIVES

The aim of compensation statement is to set down the company's policy with regard to salary. It is the responsibility of all concerned to implement the compensation policies and to explain the same fully to their subordinates. The compensation policy should aim:

1) To recognise the value of all jobs in relation to each other within the company.
2) To take account of wage rates paid by companies of similar size, product and philosophy.
3) To ensure stable earnings.
4) To enable individuals to reach their full earning potential as far as is reasonably practicable.
5) To ensure employees' share in the company's prosperity as a result of increasing efficiency.

The objectives of any compensation system are numerous and might include the following:

1) To enable the employee to earn a good and reasonable salary or wage.
2) To pay equitable sums to different individuals, avoiding anomalies.
3) To reward and encourage high quality work and output.
4) To encourage employees to develop better methods of working and their acceptance.
5) To discourage wastage of materials or equipment.
6) To encourage employees to use their initiative and discretion.
7) To discourage overtime working unless it is very essential.

11.4 COMPENSATION ADMINISTRATION

The primary purpose of compensation administration is to assure management a sound compensation system, and for employees an equitable compensation for services rendered. The objectives of a sound compensation administration programme can be subdivided into specific sub-goals:

1) Equitable payment in proportion to relative work to the organisation.
2) Consistency of payments between comparable occupations.

3) Adjustment of payments in relation to changes in the labour market.

4) Recognition of individual capability and proficiency.

5) Comprehension of the plans by supervision and management.

6) Procedures to solve compensation problems rationally.

Famous management scientist Dale Beach has presented seven principles of compensation administration:

1) The enterprise should have a clear-cut plan to determine differential pay level in terms of divergent job requirements involving varied skill, effort, responsibility and working conditions.

2) An attempt should be made to keep the general level of wages and salaries of the enterprise in line with that obtained in the labour market or industry.

3) Adequate care should be taken to distinguish people from the jobs.

4) Irrespective of individual considerations, care should be taken to ensure equal pay for equal work depending upon flexibility of jobs – of course, variations may be permitted within a pay range.

5) There should be a plan to adapt equitable measure for recognising individual differences in ability and contribution.

6) Attempt should be made to provide some procedure for handling wage grievances.

7) Adequate care should be taken to inform the employees and the union, if any, about the procedure followed in determining wage rates.

If the first goal of attracting capable employees to the organisation is to be achieved, personnel must perceive that the compensation offer is fair and equitable. As a first step in the pursuit of equity, there should be established consistent and systematic relationship among base compensation rates for all jobs within the organisation. The process of such establishment is termed "job evaluation", which we have already discussed in Unit 5.

11.5 COMPENSATION DETERMINANTS

At the outset, it is important to distinguish between two related but different questions. First, one can ask what factors account for individual differences in pay within organisations. An extensive literature suggests that education, experience, performance, and other individual differences play some role. Also, product market and labour market play a crucial role in pay determination.

Product Market

Pay levels of labour market and product market competitors play an important role in determining pay levels. Dunlop (1957) argues that product market competition places an upper boundary on pay level because

organisations in a particular industry "encounter similar constraints of technology, raw materials, product demand, and pricing". Thus, an organisation will find itself at a competitive disadvantage in the product market if its labour costs exceed those of its competitors. The reason being such costs will ordinarily be reflected to some extent in higher prices for its products.

Labour Market

Organisations not only compete solely in the product market but also in the labour market. Maruti Udyog, for example, competes for technicians and managers with similar such organisations. A pay level that is too low relative to these competitors could lead to difficulties in attracting and retaining sufficient number of quality employees. As such, labour market competition can be seen as placing a lower boundary on pay level. In order to avoid such a situation, many companies emphasise that their total compensation is equal to or better than other companies in the market.

11.6 COMPENSATION SURVEY

A compensation survey is a process of collecting data and facts about compensation policies, practices and programmes of companies in some labour market. It provides information that has many uses. This information is particularly relevant to the problem of establishing and adjusting salary levels. It may also be used to validate the compensation structure. The objectives of compensation survey vary from one organisation to another. Before conducting a compensation survey, an organisation should study the compensation data that are already available. If such information is not available, a company may either conduct its own survey or participate with other organisations in a cooperative effort.

The data collected through survey should include not only information on the key jobs and their comparability to the surveyed organisation's jobs but also information on benefits, bonuses, and other methods of compensation besides direct salary. Failure to include these factors would give a distorted picture of the total compensation package offered. It is also useful to collect information on the characteristic of the organisation to determine how similar the organisation is to the one surveyed. In either case, great care must be given to compensation survey procedures.

Conducting a compensation survey is a complex, costly and time-consuming process. For this reason, employers should thoroughly examine existing compensation surveys before planning to conduct one of their own. Before deciding to use an existing standard survey, an employer should consider a number of factors. First, will the survey provide information to suit the organisation's needs? If one survey does not meet an employer's needs, perhaps several surveys will provide the needed information. Second, how representative are the surveyed organisations of those with which an employer wishes to make pay comparisons? Third, does the existing survey provide sufficiently detailed job descriptions to permit detailed comparison with jobs in one's organisation?

There are three basic methods of conducting a compensation survey: personal interviews, mail questionnaires, and telephone interviews. The most reliable is the personal interview, even though it is time consuming and expensive. Compensation survey serves as a valuable tool for the compensation administrator to acquire useful and necessary information concerning industry pay structures and practices.

11.7 COMPENSATION STRUCTURE

A sound compensation structure must be based on job evaluation programme in order to establish fair differentials in payments depending upon differences in job contents. Besides the basic factors provided by a job description and job evaluation, those that are usually taken into consideration for determining compensation structure are:

- The organisation's ability to pay
- Supply and demand for labour
- The prevailing market rate
- The cost of living
- Productivity
- Trade union's bargaining power
- Job requirements
- Managerial attitudes
- Psychological and sociological factors

The compensation structure must be linked to what the company is trying to achieve. It is not unusual to find a company with a wage structure in direct conflict with the company's overall objectives. For example, a company may plan to produce a high quality product while at the same time, it may have a direct incentive geared to quality.

An attitude survey should be made to ascertain what needs have to be satisfied through a compensation structure. What are the employees' attitudes towards the current pay structure and what are their deeper expectations? The pay structure, to a large extent, determines and reinforces attitudes. Two of the areas a survey ought to highlight are the reasons why employees work for a particular company, and what motivates them.

Activity A: Find out different types of compensation structures followed in companies and briefly present the structures.

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11.8 COMPENSATION STRUCTURE IN INDIA

The employee salary package normally contains apart from basic wage, a dearness allowance, overtime payment, annual bonus, incentive systems, and a host of fringe benefits.

Basic Wage

The concept of basic wage is contained in the report of the Fair Wages Committee. According to this Committee, the floor of the basic pay is the "minimum wage" which provides "not merely for the bare sustenance of life but for the preservation of the efficiency of the workers by providing some measure of education, medical requirements and amenities." The basic wage has been the most stable and fixed as compared to dearness allowance and annual bonus which usually change with movements in the cost of living indices and the performance of the industry.

Dearness Allowance

The fixation of wage structure also includes within its compass a fixation of rates of dearness allowance. In the context of a changing pattern of prices and consumption, real wages of the workmen are likely to fluctuate greatly. Ultimately, it is the goods and services that a worker buys with the help of wages that are an important consideration for him. The real wages of the workmen thus require to be protected when there is a rise in prices and a consequent increase in the cost of living by suitable adjustments in these wages. In foreign countries, these adjustments in wages are effected automatically with the rise or fall in the cost of living.

In India, the system of dearness allowance is a special feature of the wage system for adjustment of the wages when there are frequent fluctuations in the cost of living. In our country, at present, there are several systems of paying dearness allowance to the employees to meet the changes in the cost of living. In practice, they differ from place to place and industry to industry.

One of the methods of paying dearness allowance is by a flat rate, under which a fixed amount is paid to all categories of workers, irrespective of their wage scales.

The second method is its linkage with consumer price index numbers published periodically by the government. It indicates the changes in the prices of a fixed basket of goods and services customarily bought by the families of workers. In other words, the index shows the rise or fall in the cost of living due a rise or fall in consumer prices.

The third method of paying dearness allowance is on a graduated scale according to slabs. Under this method, workers are divided into groups according to the slabs of wage scales to whom fixed amounts of dearness allowance are paid on a graduated scale. After a limit, there will not be any increase in the amount of dearness allowance at all, however high the wage rate may be. This method is popular because it is convenient and also considered to be equitable.

Overtime Payment

Working overtime in industry is possibly as old as the industrial revolution. The necessity of the managements' seeking overtime working from employees becomes inevitable mainly to overcome inappropriate allocation of manpower and improper scheduling, absenteeism, unforeseen situations created due to genuine difficulties like breakdown of machines. In many companies, overtime is necessary to meet urgent delivery dates, sudden upswings in production schedules, or to give management a degree of flexibility in matching labour capacity to production demands.

Annual Bonus

The bonus component of the industrial compensation system, though a quite old one, had assumed a statutory status only with the enactment of the Payment of Bonus Act, 1965. The Act is applicable to factories and other establishments employing 20 or more employees.

Activity B: Compare and analyse the compensation structures followed in Indian public sector companies and private sector companies.

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11.9 EXECUTIVE COMPENSATION

In modern business, executives hold the most pivotal place in an organisation. They play a major part in looking after the economic health of the company. As they are important for the success, growth and profitability of an organisation, they have to be compensated properly. To make the executives happy to the extent possible, companies have been giving in recent years, bigger and more frequent rises in salaries. The cumulative effect is that executive compensation cost is today a sizeable cost and rising cost. Companies have started looking at executive compensation more systematically and more proactively so that they can expect better performance from the executives.

For the higher management, salaries are influenced by the size of a company, by the specific industry, and in part by the contribution of the incumbent to the process of decision-making. The bigger the company, the greater is the compensation paid to the executives. Straight salaries, bonuses, stock purchase plans and profit sharing are used to compensate executives. In addition, executives are compensated for the various expenses incurred by them, for taxation takes away a major portion of their salary. Such payments are in the form of:

1) medical care;
2) professional service in legal and financial matters;
3) facilitates for entertaining customers and for dining out;
4) company recreational services;
5) the cost of education and training of executives, scholarships for their children, and allowances for professional magazines and books; and
6) free well-furnished accommodation, conveyance and servants. All these go under the head of perquisites.

A sound system of executive compensation is essential for a number of reasons, namely:

i) to attract the right kind of personnel;
ii) to retain the right kind of personnel;
iii) to motivate the right kind of personnel; and
iv) to get the best out of the right kind of personnel in the face of competition.

The absence of internal equity leads to dissatisfaction among executives. In organizations, there are disparities between compensation patterns. For whatever reasons, compensation practices are kept as guarded secrets by organisations. Surveys of compensation practices tells us among other things, that executive compensation practices are based on factors like traditions, technology, management beliefs and executive acceptance.

To be effective, executive compensation has to be seen as a whole, evolved for a situation and administered in letter and spirit. Essentially, an executive compensation system or scheme for an organisation has to be tailor-made. Also, it has to be reviewed and revised from time to time. Top management should develop an approach to compensation that accounts for internal as well as external equity. The executive compensation will succeed when the total package:

i) establishes sufficient levels of pay;
ii) provides internal and external competitiveness;
iii) supplies opportunity, security and status;
iv) maximises after tax earnings;
v) calls forth maximum effort; and

vi) makes the executive a much better performer both as an individual and as a team member both for today and for tomorrow.

11.10 REWARD SYSTEMS

One of the important attributes of work organisation is its ability to give rewards to their members. Pay, promotions, fringe benefits, and status symbols are perhaps the most important rewards. Because these rewards are important, the way they are distributed have a profound effect on the quality of work life as well as on the effectiveness of organisations.

Organizations typically rely on reward systems to do four things:

1) motivate employees to perform effectively,
2) motivate employees to join the organisation,
3) motivate employees to come to work, and
4) motivate individuals by indicating their position in the organisation structure.

There are several principles for setting up an effective reward system in an organisation:

- Give value to the reward system. Employees must have a preference for the types of rewards being offered. Many employees prefer cash awards and plaques.
- Some employees like to see their name in the company newsletter. Others like the public recognition surrounding award ceremonies.
- Make the reward system simple to understand. Elaborate procedures for evaluating performance, filling out forms, and review by several levels of management lead to confusion. The system must be easy to understand if it is to be used effectively.
- Lay down performance standards within the control of the team.
- Make the reward system fair and effective.
- Ensure participation in the reward system.
- Involve people in the reward process and empower them to do the needful.

Most organisations use different types of rewards. Examples of recognition and rewards include money, plaques, trophies, certificates or citations, public recognition, official perquisites, special assignments, parties or celebrations or other meaningful considerations. The most common are wages or salary, incentive systems, benefits and perquisites, and awards. For majority of people, the most important reward for work is the pay they receive. For one thing, an effectively planned and administered pay system can improve motivation and performance.

Money may not actually motivate people. Surprisingly, there is no clear evidence that increased earnings will necessarily lead to higher performance.

A great deal of research has been done on what determines whether an individual will be satisfied with the rewards he or she receives from a situation. The following five conclusions can be reached about what determines satisfaction with rewards:

1) Satisfaction with reward is a function of both how much is received and how much the individual feels should be received. When individuals receive less than they feel they should receive, they are dissatisfied. When they receive more than they feel they should, they tend to feel guilty and uncomfortable.

2) People's feelings of satisfaction are influenced by comparisons with what happens to others. These comparisons are made both inside and outside the organisations they work in, and are usually made with similar people. Individuals tend to rate their inputs higher than others.

3) In addition to obvious extrinsic rewards individuals receive (e.g., pay, promotion, status symbols), they also may experience internal feelings that are rewarding to them. These include feelings of competence, achievement, personal growth, and self-esteem. The overall job satisfaction of most people is determined both by how they feel about their intrinsic rewards and how they feel about their extrinsic rewards.

4) People differ widely in the rewards they desire and how much important the different rewards are to them. One group feels money is the most important, while another group feels interesting work and job content is. Both groups, of course, are able to find examples to support their point of view.

5) Many extrinsic rewards are important and satisfying only because they lead to other rewards, or because of their symbolic value.

An effective reward system should link reward to performance. Workers who work hard and produce more or give better quality results should receive greater rewards than poor performers. Also, criteria for receiving rewards should be clear and employees should know whether they are going to receive rewards for quality performance, innovation, effort or attendance. Management must ensure that workers perceive distribution of rewards as equitable. Furthermore, for organisations to attract, motivate and retain qualified and competent employees, they must offer rewards comparable to their competitors.

11.11 FORMS OF REWARD

There are different forms of reward which organisations offer. Some of the most widely used reward system are discussed below. Before that it is necessary to draw a distinction may be drawn between incentives and rewards. Incentives are forward looking while rewards are retrospective. Financial incentives are designed to provide direct motivation – 'do this and you will get that'. Financial rewards provide a tangible form of recognition

and can therefore serve as indirect motivators, as long as people expect that further achievements will produce worthwhile rewards.

Financial incentives aim to motivate people to achieve their objectives, improve their performance or enhance their competence or skills by focusing on specific targets and priorities. Financial rewards provide financial recognition to employees for their achievements in the shape of attaining or exceeding their performance targets or reaching certain levels of competence or skill. A shop-floor payment-by-result scheme or a sales representative's commission are examples of financial incentives. An achievement bonus or a team-based lumpsum payment are examples of financial rewards.

COMPETENCE-RELATED PAY

Competence-related pay may be defined as a method of rewarding people wholly or partly by reference to the level of competence they demonstrate in carrying out their roles. This definition has two important points: (1) pay is related to competence, and (2) people may be rewarded with reference to their level of competence.

Competence-related pay is not about the acquisition of competence. It is about the effective use of competence to generate added value. Competence-related pay works through the processes of competence analysis of individual competences and levels of competence.

SKILL-BASED PAY

Skill-based pay links pay to the level of skills used in the job and, sometimes, the acquisition and application of additional skills by the person carrying out the job. The term is sometimes used interchangeably with competence-related pay. But skill-based pay is usually concerned with the skills used by manual workers, including fitters, fabricators, and operators. In competence-related pay schemes, the behaviours and attributes an individual has to use to perform a role effectively are assessed in addition to pure skills. Skill- based pay may in many ways seem to be a good idea, but its potential costs as well as its benefits need to be evaluated rigourously before its introduction. Initially they may provide strong motivation for individuals to increase their skills. But they may outlive their usefulness and hence need to be revised or even replaced if they are no longer cost effective.

TEAM-BASED REWARDS

Team-based rewards are payments or other forms of non-financial rewards provided to members of a formally established team which are linked to the performance of that team. Team based rewards are shared amongst the members of teams in accordance with a scheme or ad hoc basis for exceptional achievements. Rewards for individuals may also be influenced by assessments of their contribution to team results. To develop and manage team rewards it is necessary to understand the nature of teams and how they function. Team-based rewards are not always easy to design or manage.

PROFIT SHARING

Profit sharing is better known, older and more widely practiced than gain sharing. Profit sharing is associated with participative management theories. Profit sharing is a group-based organisation plan. The fundamental objectives of profit sharing are: (a) to encourage employees to identify themselves more closely with the company by developing a common concern for its progress; (b) to stimulate a greater interest among employees in the affairs of the company as a whole; and (c) to encourage better cooperation between management and employees.

The logic behind profit sharing seems to be twofold. First, it is seen as a way to encourage employees to think more like owners or at least be concerned with the success of the organisation as a whole. Individual oriented plans often place little emphasis on these broader goals. Second, it permits labour costs to vary with the organisation's ability to pay.

Some companies have effectively used their profit sharing plans as vehicles for educating employees about the financial performance of the business. The most important advantage of profit sharing is that it makes labour costs of an organisation variable and adjust them to the organisation's ability to pay. Most Japanese firms have used this approach to adjusting labour costs for decades.

GAIN SHARING

Gain sharing is a formula based company or factory-wide bonus plan which provides for employers to share in the financial gain made as a result of its improved performance. The fundamental aim of gain sharing is to improve organisational performance by creating a motivated and committed workforce as part of a successful company. The traditional forms of gain sharing are the Scanlon Plan and Rucker Plan.

The success of a gain sharing plan depends on creating a feeling of ownership that first applies to the plan and then extends to the operation. When implementing gain sharing a company must enlist the involvement of all employees so that it can increase their identity with, and their commitment to, the plan, and build a large core of enthusiastic supporters. There are three main principles on which gain sharing isbased – ownership, involvement, and commitment.

The potential benefits of gain sharing are that if focuses the attention of all employees on the key issues affecting performance and enlists the support of all employees towards this. It also encourages teamwork and cooperation at all levels.

Gain sharing differs from profit sharing in at least three ways. First, under gain sharing, rewards are based on a productivity measure rather than profits.

The goal is to link pay to performance outcomes that employees can control. Second, gain sharing plans usually distribute any bonus payments with greater frequency (e.g., monthly or quarterly versus annually). Third, gain sharing plans distribute payment during the current payment rather than deferring them as profit sharing plans often do.

STOCK OPTION

The stock option is the most popular long-term incentive. A stock option is the right to purchase a specific number of shares of company stock at a specific price during a period of time. The price at which the employee can buy the stock is equal to the market price at the time the stock option was granted. The employee's gain is equal to the market value of the stock at the time it is exercised, less the grant price. The assumption is that the price of the stock will go up, rather than go down or stay the same. Several trends have increased the attractiveness of stock options as a long-term executive incentive and retention tool.

Stock options are similar in many ways to profit sharing plans. The basis for payouts is organisational performance in the stock market. Important goals of the plan are:

(a) to motivate employees to act in the best interest of the organisation as a whole; (b) to enhance employee identification with the organisation; and (c) to have labour costs vary with the organisational performance. Stock options have long been a common programme for executives, but some organizations, like Pepsi-Cola and Hewlett-Packard, grant them to all employees. There is evidence that this approach is becoming more widespread.

MERIT PAY

Merit pay is the most widely used approach for paying performance. Merit pay systems typically give salary increases to individuals based on their supervisor's appraisal of their performance. The purpose of merit pay is to improve motivation and to retain the best performers by establishing a clear performance reward relationship. Considerable evidence suggests that most organisations' performance appraisal is not done well and as a result, good measures of individual performance do not exist.

EMPLOYEE OWNERSHIP

A number of plans exist that help get some or all of the ownership of a company into the hands of employees. These include stock option plans, stock purchase plans, and Employee Stock Ownership Plans (ESOPs). In small organisations in which participative management is practiced it has a good chance of increasing organisational performance. In a large organisation with little employee ownership, it may positively affect the structure by creating integration across the total organisation if, of course, all employees are included in the ownership plan. Ownership can have a more positive impact on attraction and retention than does profit sharing. The usefulness of employee ownership, however, is likely to be highly situational. For instance, in the case of small organisations they might make profit sharing and gain sharing unnecessary, and if combined with an appropriate approach to employee involvement, they can contribute substantially to employee motivation. In a large organisation they may contribute to the integration of the organisation and to a positive culture.

11.12 EMPLOYEE BENEFITS

Employee benefits are elements of remuneration given in addition to the various forms of cash pay. They provide a quantifiable value for individual employees, which may be deferred or contingent like a pension scheme, insurance cover or sick pay, or may provide an immediate benefit like a company car. It also includes elements that are not strictly remuneration, such as annual holidays. Benefits in general do not exist in isolation. They are a part of comprehensive compensation package offered by the organisation.

The objectives of employee benefits are:

a) to increase the commitment of employees to the organisation;

b) to demonstrate that the company cares for the needs of its employees;

c) to meet the personal security and personal needs of the employees; and

d) to ensure that benefits are cost-effective in terms of commitment, and improvement in recruitment and retention rates.

Benefits represent a large share of total compensation and, therefore, have a great potential to influence the employee, unit, and organisational outcome variables. The empirical literature indicates that benefits do indeed have effects on employee attitudes, retention, and perhaps job choice. Further, it appears that individual preferences may play a particularly important role in determining employee reactions to benefits. Consequently, many organisations have implemented benefit plans that permit some degree of employee's choice in the hope that a better match between preferences and benefits will be obtained, perhaps at a lower total cost to the employer.

Statutory and Voluntary Benefits

Employee benefits may be classified as statutory and voluntary. Statutory benefits are to be given to the employees by the organisation regardless of whether it wants to or not. For instance, social security benefits under the Workmen's Compensation Act,1923, Employees' State Insurance Act,1948, Employees' Provident Fund and Miscellaneous Provisions Act,1952, Maternity Benefit Act,1961, and Payment of Gratuity Act,1972. The Industrial Disputes Act, 1947 also provides for compensation in cases of lay-off, retrenchment and closure of industrial establishments.

The menu of voluntary benefits offered to employees by employers is quite astounding, and carry significant cost to the employer. The major voluntary benefits are: vacations, holidays, special leave, sick leave, health insurance, educational assistance, employee discounts, medical benefits, recreational facilities, subsidised meals in canteens, credit cards, and mobile telephones.

Flexible Benefits

There are significant individual differences in benefit preferences. Such individual differences, of course, lend greater weight to the need for offering employees a choice in the design of their benefits package. Flexible benefits plan will help control costs and enhance employee satisfaction.

When an employer considers offering benefits to employees, one of the main considerations is to keep costs down. Traditionally, employers attempted to do that by providing a slate of benefits to their employees – irrespective of their need or use. Companies learn, in due course, that these benefits offered did little to motivate their employees, or to provide an incentive to be more productive. Employees viewed benefits as "given". This fact coupled with the rising costs of benefits and a desire to allow employees to choose what they want led employers to search for flexible benefits.

The term flexible benefits refers to a system whereby employees are presented with a set of benefits and are asked to select, within monetary limits imposed, the benefits they desire. The aim of flexible benefits programmes is to confer specific advantages to both the employee and the employer. The employees have the freedom to choose benefits that are tailored to their specific needs. In some cases, it motivates employees and leads to increased morale. It helps the employer to decide the nature and quantum of benefits, and manage the costs more effectively. Also it helps in attracting and retaining quality employees in an organisation. However, the main disadvantage of flexible benefits is: (a) wrong selection of benefits in some cases; (b) keeping track with changing benefit needs of employees; and (c) the administrative complexities involved in actual operation.

Trends in Employee Benefits

- Less attention to tax avoidance
- Greater simplification of benefit package
- More attention to individual needs
- Great emphasis on individual choice
- A move towards cash rather than benefits in kind
- Greater concentration on assessing the cost/effectiveness of total benefit package
- More attention to communicating the benefits package

11.13 SUMMARY

The goals of compensation management are to design the cost-pay structure that will attract, motivate, and retain competent employees. It consists of organisation's policies, procedures, and rules determining the compensation system. Compensation is usually composed of the basic wage or salary, allowances, incentive or bonuses, and benefits. Job evaluation serves as the foundation of most wage and salary systems. The question of fair pay involves both internal and external equity. The fact that how employees are paid has important consequences for individual, group and organisational performance. Top executives, particularly receive special attention in the compensation literature because of their potential influence on organisational success.

Organisational rewards include both intrinsic and extrinsic rewards. The kind of financial rewards that organisations give to individuals can vary widely. Employee ownership, gain sharing and profit sharing can all be useful practices for many organisations. They ought not be looked at as competing approaches, but as often as compatible approaches that accomplish different objectives. The types of rewards that an organisation offers its employees play a crucial role in determining the level of motivation. In addition, rewards have an impact on the quality and quantity of HR that the organisation is able to recruit, hire, and retain. Further, rewards have a motivational effect on both individuals and groups. While rewards serve a valuable purpose for both the employer and the employee, continual escalation of their cost may lead to major problems in the future.

11.14 SELF ASSESSMENT QUESTIONS

1) What are the basic principles of compensation administration?

2) What are the characteristic features of executive compensation?

3) Analyse the future trend of employee compensation in India.

4) Briefly explain the major components of industrial wage structure of India.

5) Compare and contrast individual, group, and organisation-wide performance bonus systems. How are they alike? and/or Different?

6) "An organisation cannot attract and retain competent employees today without a good benefit package." Do you agree or disagree with this statement? Why?

7) In future, the compensation policies, programmes, and practices of an organisation will revolve around newer reward systems and benefits. Discuss.

8) When an organisation is designing its overall compensation programme, one of the critical areas of concern is the benefits package. Explain.

11.15 FURTHER READINGS AND REFERENCES

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BLOCK 4
EMPLOYER –EMPLOYEE RELATIONS

BLOCK 4 EMPLOYER –EMPLOYEE RELATIONS

The importance of creating and maintaining a harmonious workplace atmosphere cannot be overstated. Conflict and grievance are an unavoidable feature of any organisation. HR managers are responsible for designing employee empowerment initiatives, handling grievances, managing discipline, and dealing with unions in order to create a pleasant working environment.

In three units, this block addresses all of these aspects of employer-employee relations.

Unit 12: Employee Empowerment

Unit 13: Grievance Handling and Discipline Management Procedures

Unit 14: Unions And Associations

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UNIT 12 EMPLOYEE EMPOWERMENT

Objectives

After completion of the unit, you should be able to:

- understand the concept of employee empowerment;
- understand what empowerment is;
- understand Quality Circles;
- understand workers' participation in management;
- discuss forms and levels of participation; and
- describe workers'participation in management in different countries.

Structure

12.1 Introduction

12.2 Empowerment

12.3 Quality Circle

12.4 Workers' Participation in Management

12.5 Workers' Participation in Management in India

12.6 Forms of Workers' Participation in Management in Different Countries

12.7 Evaluation of Workers' Participation in Management

12.8 Measures for Effective Workers' Participation in Management

12.9 Case Study

12.10 Summary

12.11 Self-Assessment Questions

12.12 Further Readings

12.1 INTRODUCTION

Traditional management system is based upon "span of control" and "chain of command" and "direction and supervision". Such a system leads to dehumanised workplaces repetitive, boring, frustrating and alienated employees. Larger organisations block individual growth, their self-development and self-identity. Such a situation leads to apathy and waste of human activities and dysfunctional practices like; restrictive, wasteful and destructive functioning. In the words of Clearance Francis, Chairman of General Food Corporation - "You can buy a man's time, you can buy a man's physical presence at a given place, you can even buy a measured number of skilled muscular motion per day or per hour. But you cannot buy enthusiasm, initiative, loyalty; you cannot buy devotion of hearts, minds and souls, you have to earn all these things."

New crop of employees, young, intelligent, enthusiastic and ambitious is not in a position to tolerate such suffocating atmosphere. They are knowledgeable workers, they need information, they need participation, and they need autonomy, challenge and want to contribute. It will be difficult to hold such employees in traditional organisations. Organisation's greatest asset is its human resources which are least used. An empowering organisation is required to meet these requirements by adopting the elements Industrial Democracy. Elements of industrial democracy which are discussed in this unit are empowerment, quality circle and worker's participation in management.

Contribution of Behavioural Science

According to Maslow, after satisfaction of physiological and safety needs, a person needs social/affiliation, ego needs satisfaction and self-actualisation. Douglas McGregor's theory "Y" stipulates that a person needs positive atmosphere, conducive work-culture and encouraging work-ethos to unfold his potential. Herzberg's two- factor theory clearly states that hygiene factors do not motivate. For motivation another set of factors like autonomy, challenge, variety, etc. are required. Adam's Equity theory talks of parity and non-discrimination as factors of motivation. The "relatedness" in Alderger's ERG theory clearly says that workers want to relate themselves socially to get motivated. McClelland's need theory has "power", "achievement" and "affiliation" as dominant factors for motivation.

Participative management is focussed more on achieving commitment by providing for all the above mentioned motivational needs than simply extending decision making power to the employees. It requires a change in culture, which may include a series of items ranging from access to information, involvement in decision-making, sharing ownership and redistribution of rewards, etc. In other words, it amounts to devolution of power to work place. Power should be used to get work done than to stand over others. It has a motivational constituent and it has to be used as a managerial strategy to strengthen employees'feeling of self-determination or self-efficacy. In fact, participation is a process of enhancing the feeling of self-efficacy among employees through identification of conditions that overcome powerlessness and foster empowerment.

To enable the best in a man to come out, it is necessary for him to know why he is going certain things and not others and participation is a quest towards that end. He seeks meaning in his work and place in the organisation and that he finds in participation and not in traditional management.

12.2 EMPOWERMENT

Empowerment is the process of passing authority and responsibility to individuals at lower levels in the organisational hierarchy (Well ins et al., 1991). To achieve empowerment, managers must be sure that employees at the lowest hierarchi levels have the right mix of information (about process, quality, customer feedback and events), knowledge (of the work, the business and the total work system), power (to act and make decisions about the

aspects of work) and rewards (tied to business result and growth in the capability and contribution), to work autonomously or independently of management control and direction (Lawler, 1992; Lawler, 1994; and Lawler et al., 1989). The advantages of an empowerment or involvement are said to include higher quality products and services, less absenteeism, lower turnover, better decision-making and better problem solving which, in turn, result in greater organisational effectiveness (Dennison, 1984). However, the question of how much will be empowerment, remains a paradox to be addressed by managerial judgement (Carnall, 1982).

Characteristics of Empowered Organisation

Companies with a high level of job autonomy usually have the following characteristics (Finegan, 1993):

- They invest a lot of time and effort in hiring, to make sure new recruits can handle workplace freedom.Their organisational hierarchy is flat.
- They set loose guidelines, so workers know their decision-making parameters.
- Accountability is paramount-results matter more than process.
- High quality performance is always expected.
- Openness and strong communication encouraged.
- Employee satisfaction is the core value.

Guidelines for introducing Empowerment

- Understanding why the organisation is making the change and what it wants to achieve.
- Selecting strong leaders to head the change.
- Involving people in planning how to introduce empowerment.
- Creating transition project teams to test and coordinate efforts and communicate results.
- Providing training in new skills and behaviours.
- Establishing symbols of change.
- Acknowledging and rewarding achievements.

Benefits of Empowerment

Empowerment benefits the organisation itself by creating an environment which encourages proactively problem-solving, accepting challenge, innovation, continuous improvement, optimum utilisation of employees, a high degree of employee motivation and enhancement of business performance.

For employees, empowerment provides a sense of high self-esteem, high degree of involvement and participation, a learning environment opportunity for personal growth and development and a greater sense of achievement. Replacing the ‘fear and greed’ hierarchy with network of empowered

workers creates benefits like; faster responses, loyal customers, high quality-lower costs, greater productivity and employee orientation (Carter, 2000).

Empowerment is an important process in the organisation to foster the decision- making, issues and to motivate the employees who get immense job satisfaction. In the contemporary business environment, empowerment is essential to be more competitive and productive. In most of the organisations, empowerment is not practised in true spirit because of the absence of a positive organisational culture that believes in trust, transparency and employee development. Inspite of a lot of discussion and approval on empowering employees, in reality it has not been implemented in the true sense in Indian Corporations. In most of the organisations, the senior management have preached the relevance of empowerment, but unfortunately very few of them have actually empowered people. The HR professionals need to initiate work culture in influencing the organisation to make the step-down method a success.

Empowerment is catching on among Indian managers. Companies as diverse as Titan, Reliance, ABB, Tata Information Systems (TISL), GE Plastics India and Philips are empowering employees-both frontline, as well as production staff. Wipro Corporation has 29 such teams and their number is expected to go upto 130. Wipro Infotech, on the other hand, has 10 such teams and the plan is to hike them to around 45 to 50. At Reliance, divisional heads run their divisions like; managing directors run their companies.

Activity A: Is your present organisation practicing the concept of empowerment? If yes, write down its operations.

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12.3 QUALITY CIRCLE

There are various forms and styles of participative management. One of them which is widely applied and practised is 'Quality circles'. The 'quality circle' concept first originated in USA which was very successfully applied in Japan afterwards. This technique boosted the Japanese firms to endeavour for high quality products at low costs.

Let us look at the organization of Quality Circle technique. Basically it consists of a group organization of eight to ten employees who meet each other during a meeting which is held one in a week, fortnight or month depending upon the problems and their frequency of generation. These members discuss various problems related to quality. They recommend alternative solutions to solve the problems by investigating the causes.

Depending upon the recommendations, corrections are made. Corrections are checked and then accepted as a norm if the solution works. They generally hold their meeting in the organisation premises. They are generally given a room where they can meet and think and come out with solution to problems. These employees basically have a shared area of responsibilities. This leads to a good participative environment and greater acceptability of decisions. Since the employees are not very good at analysing and decision making, the part of quality making, the part of quality circle includes teaching employees group communication skills, quality strategies and measurement and problem analysis techniques.

12.4 WORKERS' PARTICIPATION IN MANAGEMENT

Workers' participation in management is a highly complex concept. The notion that workers should participate in the management of enterprises which employ them is not a new concept. It has apparently existed since the beginning of the industrial revolution. However, its importance increased gradually over a period of years due to the growth of large-scale enterprises, increase in work-force, paternalistic philosophy and practice of informal consultation. Moreover, the growth of professionalism in industry, advent of democracy, and development of the principle of social justice, transformation of traditional labour management relations have added new dimensions to the concept of participative management. The philosophy underlying workers' participation stresses: (i) democratic participation in decision-making; (ii) maximum employer-employee collaboration; (iii) minimum state intervention; (iv) realisation of a greater measure of social justice; (v) greater industrial efficiency; and (vi) higher level of organisational health and effectiveness.

It has been varyingly understood and practised as a system of joint consultation in industry; as a form of labour management cooperation; as a recognition of the principle of co-partnership, and as an instrument of industrial democracy. Consequently, participation has assumed different forms, varying from mere voluntary sharing of information by management with the workers to formal participation by the latter in actual decision-making process of management. Workers' participation in management is mental and emotional involvement in group situation which encourages workers to contribute to group goals and share responsibility. Participation has three ideas:

i) First, participation means mental and emotional involvement, rather than mere muscular activity. A person's self is involved rather than his body. It is more psychological than physical.

ii) Second idea in participation is that it motivates persons to contribute to achievement of organisational goals by creative suggestions and initiatives.

iii) Third area is that it encourages people to accept responsibility. They are ready to work with the manager, instead of against him.

To put it briefly, it is team working together for a common purpose, it is a notion of industrial democracy. Workers have greater say over their work situation.

Objectives of Workers' Participation in Management

The objectives of workers' participation in management are as follows:

i) To raise level of motivation of workers by closer involvement.

ii) To provide opportunity for expression and to provide a sense of importance to workers.

iii) To develop ties of understanding leading to better effort and harmony.

iv) To act on a device to counter-balance powers of managers.

v) To act on a panacea for solving industrial relation problems.

Elements of Participation

The term "participation" has different meanings for different purposes in different situations. McGregor is of the view that participation is one of the most misunderstood idea that has emerged from the field of human relations. Keith Davis has defined the term "participation" as the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share responsibilities in them. This definition envisages three important elements in participation. Firstly, it means mental and emotional involvement rather than mere physical activity; secondly, participation must motivate a person to contribute to a specific situation to invest his own resources, such as initiative, knowledge, creativity and ingenuity in the objectives of the organisation; and thirdly, it encourages people to share responsibility for a decision or activity. Sharing of responsibility commits people to ensure the success of the decision or activity.

Forms of Participation

Different forms of participation are discussed below:

Collective Bargaining: Collective bargaining results in collective agreements which lay down certain rules and conditions of service in an establishment. Such agreements are normally binding on the parties. Theoretically, collective bargaining is based on the principle of balance of power, but, in actual practice, each party tries to outbid the other and get maximum advantage by using, if necessary, threats and counterthreats like; strikes, lockouts and other direct actions. Joint consultation, on the other hand, is a particular technique which is intended to achieve a greater degree of harmony and cooperation by emphasising matters of common interest. Workers prefer to use the instrument of collective bargaining rather than ask for a share in management. Workers' participation in the U.S.A has been ensured almost exclusively by means of collective agreements and their

application and interpretation rather than by way of labour representation in management.

Works Councils: These are exclusive bodies of employees, assigned with different functions in the management of an enterprise. In West Germany, the works councils have various decision-making functions. In some countries, their role is limited only to receiving information about the enterprise. In Yugoslavia, these councils have wider decision-making powers in an enterprise like; appointment, promotion, salary fixation and also major investment decisions.

Joint Management Councils and Committees: Mainly these bodies are consultative and advisory, with decision-making being left to the top management. This system of participation is prevalent in many countries, including Britain and India. As they are consultative and advisory, neither the managements nor the workers take them seriously.

Board Representation: The role of a worker representative in the board of directors is essentially one of negotiating the worker's interest with the other members of the board. At times, this may result in tension and friction inside the board room. The effectiveness of workers' representative at the board depend upon his ability to participate in decision-making, his knowledge of the company affairs, his educational background, his level of understanding and also on the number of worker representatives in the Board.

Workers Ownership of Enterprise: Social self-management in Yugoslavia is an example of complete control of management by workers through an elected board and workers council. Even in such a system, there exist two distinct managerial and operative functions with different sets of persons to perform them. Though workers have the option to influence all the decisions taken at the top level, in actual practice, the board and the top management team assume a fairly independent role in taking major policy decisions for the enterprises, especially in economic matters.

Pre-requisites for Effetive Participation

The pre-requisites for the success of any scheme of participative management are the following:

- Firstly, there should be a strong, democratic and representative unionism for the success of participative management.
- Secondly, there should be mutually-agreed and clearly-formulated objectives for participation to succeed.
- Thirdly, there should be a feeling of participation at all levels.
- Fourthly, there should be effective consultation of the workers by the management.
- Fifthly, both the management and the workers must have full faith in the soundness of the philosophy underlying the concept of labour participation.

- Sixthly, till the participative structure is fully accepted by the parties, legislative support is necessary to ensure that rights of each other are recognised and protected.
- Seventhly, education and training make a significant contribution to the purposeful working of participative management.
- Lastly, forums of participation, areas of participation and guidelines for implementation of decisions should be specific and there should be prompt follow-up action and feedback.

Activity B: a) Is your organisation covered by any scheme of participation? If yes, are they successful?

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b) If success level has not been high, what are the reasons?

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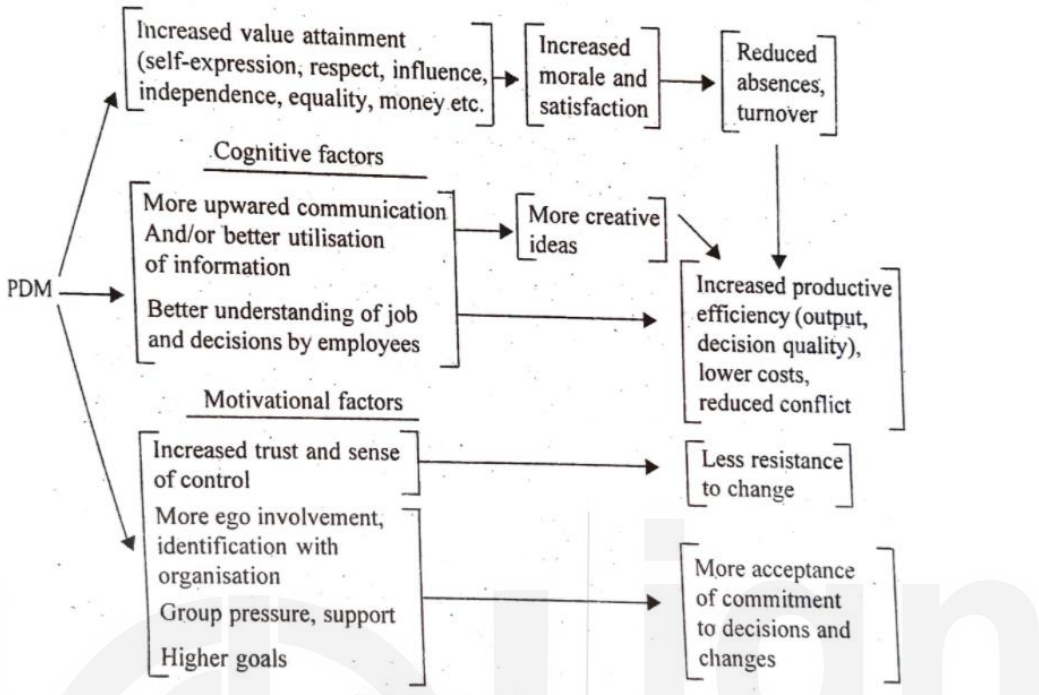
Effects of Participative Decision-making (PDM)

Following Figure 1 traces the mechanisms through which participative decision- making affects employee behaviour and attitudes and, in turn, organisationa1 results.

The Figure 1 suggests that participation improves both employee ability and motivation. Ability is improved primarily through communication and information sharing, which results in more informed employees who are better able to contribute creative ides to the success of the enterprise. Motivation is improved in part because employees tend to set higher goals participatively than management does unilaterally and in past because the process causes individuals to become ego involved, and committed and to exert pressure on themselves and their co-workers to ensure that their decisions are sound and their goals are met. The act of participating can also increase employees' sense of trust and control, which may lower their resistance to new ways of doing things. On the attitudinal side, some find that participation (like job enrichment) meets their needs for challenge and accomplishment (growth), causing satisfaction.

Figure 1: Mechanisms of PDM

Participating Cause	*Intervening Mechanisms*	*Effects*


PDM
Increased value attainment (self-expression, respect, influence, independence, equality, money etc.
Increased morale and satisfaction
Reduced absences, turnover
Cognitive factors
More upwarded communication And/or better utilisation of information
Better understanding of job and decisions by employees
More creative ideas
Increased productive efficiency (output, decision quality), lower costs, reduced conflict
Motivational factors
Increased trust and sense of control
Less resistance to change
More ego involvement, identification with organisation
Group pressure, support
Higher goals
More acceptance of commitment to decisions and changes

Source: E.A. Locke and D.M. Schweiger

12.5 WORKERS' PARTICIPATION IN MANAGEMENT IN INDIA

In our country, the concept of workers' participation in management is comparatively of recent origin even though there were a few instances of informal joint consultation as early as in 1920's in the Government Printing Press, Tata Iron and Steel Company, Jamshedpur, Indian Aluminium Works, Belur and in the Railways. The Delhi Cloth and General Mills Ltd. also introduced workers participation in management in 1938 by having an elected representative of workers on the Board of Directors of the Mills. The element of participation was also evident in the Permanent Arbitration Board at Ahmedabad, where representatives of the Millowners'Association and the Textile Labour Association settled many disputes through voluntary arbitration. The Royal Commission on Labour (1929-31) recommended the formation of works committees, "which can play a useful part in the Indian industrial system". It also suggested the establishment of a joint machinery to deal with the more general questions, and to act as an advisory appellate body in respect of disputes which are confined to one establishment. The recommendations of the Commission bore fruit with the provision of formal statutory machinery under the Bombay Industrial Relations Act, 1946, and the Industrial Disputes Act, 1947. The B.I.R. Act, which applies to the textile industry in Maharashtra and Gujarat, provides for the setting up of join committees only in units which have a representative union. The U.P. Industrial Disputes Act, 1947 provides for the formation of works councils in State government undertakings, employing 100 or more workmen. The

Government of Gujarat by the B.I.R. (Gujarat Amendment) Act, 1972 have made it compulsory for industrial establishments employing 500 or more workmen to set up joint management councils.

Participation/Consultation at the Company and Shopfloor Levels in India

Since Independence, various schemes have been formulated to provide for employee participation/consultation at the company and shopfloor levels. Some of these are discussed below.

1947: Works Committees: The Industrial Disputes Act, 1947 provides for limited participation of elected representatives of workers in bipartite works committees with a view to promoting measures for securing and preserving amity and good relations between employers and workers. Some committees like the canteen and safety committees are statutory. The functioning of the committees are, however, not satisfactory due to the lack of clarity about their scope and functions and conflict between the elected representatives of the works committees and the trade unions operating in the enterprises.

1958: Joint Management Councils: The Industrial Policy Resolution, 1956 reiterated that, 'in a socialist democracy labour is a partner in the common task of development and should participate in it with enthusiasm. There should be joint consultation and workers and technicians should, wherever possible, be associated progressively in management.'Accordingly, in1958, Joint Management Councils (JMCs) were introduced. They were supposed to be responsible for welfare, safety, vocational training, preparation of holiday schedules, etc. They were also to be consulted on matters relating to changes in work practices, amendment or formulation of standing orders, rationalisation, productivity, etc. They did not receive much support from unions or management and the apparent similarity in the scope and functions of JMCs and works committees resulted in a multiplicity of bipartite consultative bodies.

1970: Employee Director in Nationalised Bank: Following the nationalisation of banks in 1969, the government required all nationalised banks to appoint employee directors to their boards, one representing the workmen and the other representing the officers. The scheme entailed the verification of trade union membership, an identification of the representative union. The tenure of an employee director was to be three years, though union membership verification need not occur even once in a decade.

In parallel, the government also began appointing labour representatives to the boards of several public enterprises; but these representatives had no direct link with the enterprise in organising the union at the local level and were drawn from among the national leadership or on the basis of some other elusive criterion. There was no clarity about the role and function of worker directors.

1975: Amendment to the Constitution and the Workers' Participation: In 1975 the Constitution was amended and Section 43A inserted in the Directive Principles of the Constitution. The section provided that, 'The State

shall take steps by suitable legislation or in any other way to secure the participation of workers in the management of undertakings, establishments or other organisations engaged in any industry." Accordingly, the Scheme of Workers' Participation in Management at the shopfloor and plant levels in manufacturing mining industries employing 500 or more workers was notified in 1975. Shopfloor and plant level councils were assigned specific functions relating to production and productivity, management of waste, reduction of absenteeism, safety, maximising machine and manpower utilisation, etc.

1977: Scheme of Workers'Participation in Management: Another scheme, broadly similar to the 1975 scheme, was introduced in 1977 and extended to commercial and service organisations with 100 or more employees. Both schemes evoked some enthusiasm initially during the Emergency, but with held soon after the lifting of the Emergency and the change in government in 1977. In 1978, the new government constituted a special tripartite committee on workers' participation in management which recommended a three-tier participation at the levels of the board, plant and shopfloor. But the government did not last long enough to implement the recommendations.

The 1983 Scheme: In 1983, another new scheme was introduced and made applicable to all central public sector enterprises, except where specifically exempted, and a standing tripartite committee was set up by the Ministry of Labour to facilitate review and corrective measures. Implementation of the scheme was left to the administrative ministries concerned. Barely half of the central public sector enterprises introduced the scheme over the next decade, and several of these atrophied subsequently.

Workers' Share in Equity, 1985: The 1985-86 Union Budget made provisions for offering stock options to employees up to a total of at least 5 per cent of the total shares. This was intended to enhance workers' participation in management.

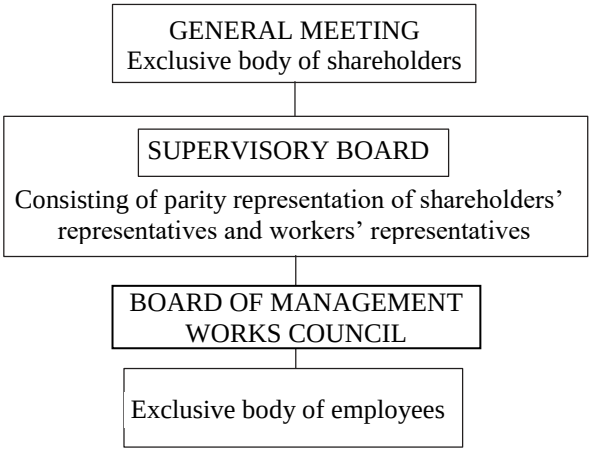
The 1990 Bill: The government's discontentment with the implementation of voluntary efforts resulted in the convening of a national seminar and the subsequent introduction of a bill in the Rajya Sabha in 1990 to introduce workers' participation at all three levels board, plant and shopfloor - through legislation. The bill is still (September 2000) to be taken up for discussion.

The Second National Commission on labour 2002 has recommended, "The time has come to legislatively provide for a scheme of workers participation in management. It may be initially applicable to all establishments employing 300 or more persons. For the smaller establishments, a non-statutory scheme may be provided." This was followed by the government intention to pass a law that makes it mandatory for companies to go for workers participation and reserve some seats for worker's representatives.

12.6 FORMS OF WORKERS' PARTICIPATION IN MANAGEMENT IN DIFFERENT COUNTRIES

A) Germany: The concept of co-determination ('Mitbestimmung') in Germany, in its formal sense, had its origin as early as in 1835 when Prof. Van Mohl, national economist, advocated for the association of worker representatives in industry as their spokesmen. Voluntary works councils were set-up in Germany in four printing works way back in 1850. In 1933, Hitler banned all trade organisations and replaced them with "Workers Front". The present system of co-determination had its real origin when the trade unions were revived after the Second World War. The trade union demand for parity co-determination led to the passing of Co-Determination Act of 1951. It introduced co-determination on the basis of parity restricting it to coal and steel industry. Subsequently, in 1952 the Works Constitution Law was passed making it applicable to all industries. This law gave certain co-determination rights to the works councils. The Works constitution Law was modified in 1972 which further extended the co-determination rights of the works councils to various personnel and economic matters. Thus, the parity determination in iron and steel industry was governed by the Co-determination Law of 1951 and 1956 and in other industries Works Constitution Laws of 1952 and 1972. It became a matter of debate till 1975 whether co-determination should be extended to all industries and, if so, in what form. However, in April, 1976, all the parties concerned came to an agreement and a new law was passed extending co-determination to all industries. The law came into force in July, 1976. Now co-determination has taken deep roots in the former Federal Republic of Germany and has become a way of life. Under German law, each company has a two tier board system consisting of a supervisory board and a management board (Figure 2).

Figure 2: Co-determination in German Companies



i) ***General Meeting:*** It is an annual meeting of all shareholders where all matters pertaining to capital, stock, liquidation, election to the supervisory board, annual balance sheet, and so on are discussed. Members of the supervisory board are elected by the shareholders'

general meeting or appointed by certain shareholders or a class of shareholders.

ii) ***Supervisory Board:*** It consists of employees' and shareholders' representatives.The workers' representatives on the supervisory board are elected by the employees of the company through a system of "electoral panels". Thenumber of members may range from a minimum of 3 to a maximum of 20 depending on the size of the enterprise.

Supervisory boards with 20 members are prescribed for companies employing more than 20,000 workers. The chairman of the supervisory board is elected by the shareholders' representatives. It is stipulated that at least 2 members representing the workers on the supervisory board should be from the plant itself, representing on each from the blue-collar and white-collar workers. Among the remaining workers, trade union executives from outside may also be elected. The supervisory board appoints and controls management board and approves decisions of major importance as provided by the byelaws of the company concerned. Supervisory Board, normally meets four or five times a year. The board gives decisions on important matters such as the closure of plants, the opening of new plants, large investments, and major changes of product.

iii) ***Board of Management:*** It normally comprises 3 directors representing technical, financial and labour. Its members are full-time and are not allowed to sit on the supervisory board. Its main responsibility is the day-to-day operations of the enterprise. One of the directors on the board represents labour. His functions usually comprise personnel administration and personnel planning as well as social matters. His strength on the board of management is derived from the support he has of the works council and the workers' representatives on the supervisory board. Though the management board usually makes the major policy decisions on such things as mergers, takeovers, closure of plants, increases of capital and overall manpower planning, the supervisory board has to formally approve such decisions.

iv) ***Works Council:*** The works council is not a management body like the supervisory board or the board of management. It is not a joint body. Its representatives are elected by secret ballot by the entire work-force, both unionised and non-unionised. The constitution and functions of a works council are governed by the Works constitution Act. Under this Act, every plant employing more than five employees is required to elect a works council through ballot. In firms with several establishments, a central council has to be established. All employees with one year of service are eligible to vote. The number of representatives on the council may vary from 1 to 35 depending upon the size of the plant. The workers' representatives are elected for a period of three years. The members of works council need not be members of a trade union. The council elects a chairman and a deputy chairman from along the members. In most cases, the chairman of the works council is also a member of the supervisory board. The works council represents workers' interest whether they are members of a trade union or not. The employers

and works council members work together in trust and mutual understanding within the framework of existing collective agreements. As per law, works council members work together in trust and mutual understanding within the framework of existing collective agreements. As per law, works councils have to refrain from taking certain militant measures. It has no right to call a strike. The employer and works council meet once in a month to hold discussion and settle disputes.

The works council plays an important role in workers' participation and in maintaining sound industrial relations. It is the obligation of a company to provide the works council with necessary facilities to do its job effectively. The council has the right to decide with the management certain issues concerning job evaluation, working hours, welfare, training, recruitment and dismissal, vacations, transfers, location of new plants, and changes in production methods.

It has co-determination rights, cooperation rights, and rights of information. It is much closer to the workers, and is the most important body for co-determination in Germany. Besides formal functions spelt out in law, it performs scores of informal tasks and these are accepted by the management. For example, it can propose any scheme considered to be beneficial to the establishment or the staff. The works council is responsible to the Works Assembly composed of all workers and employees of a firm. It meets once in three months, and on that occasion the works council has to present a report on its activities. The Works constitution Act emphasises that "the works council and management shall work together in a spirit of mutual trust" and "shall discuss matters at issue with an earnest desire to reach agreement and make suggestions for settling their differences". No one is allowed to exercise pressure on the other.

Labour-management relations in the Germany are expressed at two different levels simultaneously. One at the industry level, between employers'organisation and trade unions, and second, at the enterprise level, between employees and works councils. Employers' organisations insist that these two hierarchies be kept separate. The concept of co-determination can be fully understood only against the background of the two distinct levels of industrial relations set-up. At the industry level the trade unions playa role in collective bargaining functions.

At the enterprise level, both employers and the works councils sit together the co- determination table.

B) Yugoslavia: Workers' self-management in Yugoslavia dates back to 1949 when President Marshal Tito dissented from the Russian authority. He emphasised the need for the development of a distinctively Yugoslavian system with a complete departure from that of the bureaucratic Russian system of state ownership. In fact, the system of social ownership in Yugoslavia differs from most other socialist societies. In Yugoslavia, enterprises are owned by society as a whole, and the management of an enterprise is delegated by society to the

workers' collective, those people who work in it and create social wealth. The basic decisions about a firm, including decisions about the purchase, supplies, and the pricing of products are made within the firm itself rather than by a centralised federal agency. The trade unions have no direct role in the management of the enterprise, but they have the right to submit lists of candidates for election to the workers' council. Their approval is necessary for the council's decisions relating to wages and distribution of the surplus. The trade unions are consulted at a higher level on legislation in the area of labour. The workers' councils are free to take their own decisions in most of the matters without trade union or party interference. The main goal of yugoslavia self-management is defined in preamble of the constitution as the "liberation of work". The major institutions under Yugoslavian model are workers' council, management board, director and local people's committee.

i) ***Workers' Council:*** The first law of self-management introduced in 1950 provided for a workers' council in each enterprise, consisting of 15 to 120 persons, depending on the size of the enterprise. The council includes the director of the firm as an ex-officio member. They are elected by the workers' and the staff for a term of 3 years. The council is designed to represent all employees in the decision-making process, although initially it was a consultative body with limited jurisdiction. The council is the supreme operative authority in an enterprise, and is responsible only to the workers' collective as a whole. The basic objective of the council is to formulate a general policy for the involvement of the workers within the organisation. Its major duties include adoption of statute, development plans and programmes, decisions on the basic issues of operational policy, adoption and approval of financial statements of the enterprise, decisions concerning merger of the enterprise with other enterprises, supervision of the work of the management board, and so on.

ii) ***The Management Board:*** the management board is the executive organ of the workers' council. It comprises a minimum of five members elected from among the members of the workers' council. The director is an ex-officio member of the board. At least three-fourths of its members belong to workers directly engaged in production, or the basic activities of the undertaking. They continue their normal jobs during the period of their tenure as members of the board. Its main function is to manage the enterprise in accordance with the policy laid down by the council. It is responsible for the efficient running of the enterprise. The board generally draws up the production plan, determines the internal organisation of the enterprise and formulates proposals for discussion in the workers' council.

iii) ***The Director:*** The role of a director in Yugoslavia system is of crucial importance. The director of an enterprise is at the apex of the organisational structure. He is selected for a tenure of four years by the council and the local people's committee. He can also be reappointed. He is recruited through open competition on the basis of advertisement in

the press and professional publications, and other appropriate channels. The workers' council may remove a director for inefficiency or incompetence. The director being the chief executive is responsible for implementing the decisions of the workers' council and the management board. He has to ensure the profitably management of the enterprise.

iv) ***The People's Committee:*** This committee of the local people has a say in the appointment of the director as well in the enterprise. They may provide investment funds for the establishment. In case the enterprise is unable to pay the statutory minimum wage to its workers, the people's committee takes the responsibility to provide for the difference. This committee is powerful enough to intervene in the management and to dissolve the workers' management.

The greatest achievement of social self-management in Yugoslavia is prevention of workers' exploitation. It has instituted in the minds of workers a sense of belongingness to the enterprise. Industrial conflicts are less as compared to other European countries where there is no self-management. The social and economic content of self management is the democratisation of production and social relations. It is the most comprehensive one operating to date and is a unique example of social engineering which has produced a web of self-management structures and procedures.

12.7 EVALUATION OF WORKERS' PARTICIPATION IN MANAGEMENT

The various schemes of workers' participation in management have failed to live up to the expectations of employers and employees. After reviewing the literature in the field Zakeer (1980) has provided the reasons for the failure of the concept in India thus; (i) lack of understanding of the concepts, (ii) rigid attitude of the employees, (iii) vagueness of the legal definitions, scope and functions of these bipartite forums, (iv) half-hearted implementation of decisions arrived at these forums, and (v) the suspicion in the minds of trade union leaders, that industrial democracy would fragment their authority and weaken their hold over union members.

12.8 MEASURES FOR EFFECTIVE WORKERS' PARTICIPATION IN MANAGEMENT

In order to make workers' participation in management a success, certain conditions should be satisfied, which are discussed below.

Managerial attitude: There is an urgent need to offer training and education to workers and employees to make the participative culture a success. The employers should be willing to share information and shed a portion of their hard-earned authority in favour of workers. Workers are uninformed and lack experience. The employers therefore must make conscious efforts to bring them up to a certain level before drawing them to the negotiating table. To earn their respect and trust, management must involve workers by: (1)

identifying a clear cut agenda where the roles of participants are clearly defined, (2) developing guidelines for decision-making by the joint management councils, (3) defining the roles of office bearers as against trade unions, (4) Keeping employees informed of all decisions arrived at, their implementation and the outcomes, and (5) evaluating the progress of joint councils from time to time.

Union co-operation: The workers participation scheme, to be effective, must be based on mutual trust and confidence between unions and management. Unions must believe that participative forums are not meant to cut their roots. To this end, management must try to define the boundaries clearly. To be fair, they must give due representation to members from the recognised union without playing favourites. In a multiple union situation, this issue assumes added significance in that the employer can influence the election of representatives to the participative forums by aligning with their own 'yes men' from the ranks and file Not all unions agree now to the election of representatives through secret ballot (INTUC opposes this; HMS, CITU, AITUC support the move).

Meaning participation: If participation relates to only tea, towels and toilets as the Indian experience clearly shows - it does not serve any purpose. To be useful, participation should cover a wide range of issues where workers can openly represent their cases and seek quick solutions on the spot. Further, the participative forums should not be mere consultative and advisory bodies, dealing with peripheral, insignificant, routine issues relating to labour welfare. Workers must have a real 'say' in all important work-related matters including grievance handling and then only they begin to participate in these participative bodies with zeal and enthusiasm.

Workers' attitudes: Workers must have complete faith in the efficiency of the system. To encourage a participative culture among workers, seminars, conferences, workshops must be held highlighting the usefulness of participation. Workers must have a sense of job security and freedom from reprisals resulting from their participation. The overall working environment must be congenial enough to inspire the workers to give their best to the organisation.

12.9 CASE STUDY: WORKERS' PARTICIPATION IN MANAGEMENT IN TISCO

In some of the organisations, the scheme of workers' participation in management (WPM) has proved to be a 'hit'. Let us briefly examine the experience of TISCO.

In 1982 TISCO celebrated the first silver jubilee of workers participation scheme. Right from inception TISCO firmly believed in achieving success through employee involvement and participation in organisational work. To regulate employer-employee relations, two forums are consistently put to use; i.e., wage related issues through collective bargaining forum and safety, welfare, working conditions, cost saving efforts, etc., through participative

forum. Since 1957, WPM at TISCO has been funtioning at three levels: Joint Departmental Council (JDC), Joint Worker Councils (JWC), and Joint Consultative Council. There are over 40 joint-departmental councils operating at the base level - one to discuss production and productivity related issues and another to discuss safety and welfare matters. The Joint Worker Councils review the working of JDCs and JWCs, at periodic intervals. These councils consist of representatives of labour and management in equal number. WPM has succeeded in TISCO because the management stood behind the scheme firmly right from the beginning.

The presence of single, strong union has also created a congenial atmosphere for improving relations between labour and management greatly. Management has created special task forces to oversee that the councils' functions do not overlap. Special training is being offered to prepare workers for participative 'give and take' sessions. Spurred by these encouraging initiatives, workers have also come out with highly useful, cost-saving suggestions arrived at improving overall productivity from time to time. Generally over 70 per cent of these suggestions are actually implemented with great success!

12.10 SUMMARY

In this unit, we have tried to discuss the importance of industrial democracy. It has different forms such as empowerment, quality circle, workers' participation in management etc. We have touched upon the organisation, function and benefits of all these schemes of industrial democracy. Also, workers' participation in management in Germany, Yugoslavia, as well as in India have been discussed.

12.11 SELF-ASSESSMENT QUESTIONS

1) What is the rationale for industrial democracy?
2) Review the schemes of industrial democracy.
3) Discuss the function of quality circle to achieve democracy at workplace, citing suitable examples.
4) What are the levels and forms of workers' participation in management?
5) Compare the forms of workers' participation in management in Germany and Yugoslavia.

12.12 FURTHER READINGS

Industrial Labour Office, *Workers' Participation in Decisions Within Undertakings*, Geneva, 1983.

Thakur, C.P. and K.C. Sethi (ed.), *Industrial Democracy: Some Issues and Experiences*, Shri Ram Centre for Industrial Relations and Human Resources, New Delhi, 1973.

Virmani, B.R., 'Workers Participation in Management: A New Perspective', *Indian Journal of Industrial Relations*, Vol. 13, 1978.

UNIT 13 GRIEVANCE HANDLING AND DISCIPLINE MANAGEMENT PROCEDURES

Objectives

After completion of the unit, you should be able to:

- understand the importance of grievance handling in an organisation;
- describe the concept of irrespective grievance-handling;
- discuss the importance of personal & family oriented grievances;
- understand the concept of Discipline Management; and
- describe the discipline management processes.

Structure

13.1 Introduction

13.2 Dissatisfaction, Complaint and Grievance

13.3 Forms of Grievance

13.4 Causes of Grievance

13.5 Effects of Grievance

13.6 The Discovery of Grievance

13.7 Grievance Handling Procedure

13.8 Grievance Management in Indian Industry

13.9 Concept and Meaning of Discipline

13.10 Indiscipline

13.11 Purpose and Objectives of Disciplinary Action

13.12 Disciplinary Action Procedure

13.13 Legal Provisions Relating to Discharge or Dismissal (Under Industrial Disputes Act, 1947)

13.14 Summary

13.15 Self Assessment Questions

13.16 Further Readings

Appendix 1. Model Grievance Procedure

13.1 INTRODUCTION

In their working life, employees do get dissatisfied with various aspects of working may be with the attitude of the manager, policy of the company, working conditions, or behaviour of colleagues. Employers try to ignore or suppress grievances. But they cannot be suppressed for long. Grievance acts

as rust which corrodes the very fabric of organisation. An aggrieved employee is a potent source of indiscipline and bad- working. According to Julius, a grievance is "any discontent or dissatisfaction, whether expressed or not, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or, even feels to be unfair, unjust or inequitable."

13.2 DISSATISFACTION, COMPLAINT AND GRIEVANCE

To understand what a grievance is, you must clearly be able to distinguish between dissatisfaction, complaint and grievance. Torrington (1987) provides us with a useful categorisation in this regard:

- ***Dissatisfaction:*** Anything disturbs an employee, whether or not the unrest is expressed in words.
- ***Complaint:*** A spoken or written dissatisfaction brought to the attention of the supervisor or the shop steward.
- ***Grievance:*** A complaint that has been formally presented to a management representative or to a union official.

In addition, there are other definitions of a grievance that distinguish it from the other two. Few such definitions are:

- A grievance is a formal dispute between an employee and management on the conditions of employment. (Glueck, 1978)
- Grievances are complaints that have been formally registered in accordance with the grievance procedure. (Jackson)
- A grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management (Beach 1980).

Therefore, you will see that a grievance is a formal and a relatively drastic step, compared to dissatisfactions and complains. However, instances where complaints turn into grievances are not common, since few employees will question their superior's judgement. Further, many people do not initiate grievances because they fear negative consequence as a result of their attempt.

Features

If we analyse these definitions of grievance, some noticeable features emerge clearly:

a) A grievance refers to any form of discontent or dissatisfaction with any aspect of the organisation.

b) The dissatisfaction must arise out of employment and not due to personal or family problems.

c) The discontent can arise out of real or imaginary reasons. When the employee feels that injustice has been done to him, he has a grievance. The reasons for such a feeling may be valid or invalid, legitimate or irrational, justifiable or ridiculous.

d) The discontent may be voiced or unvoiced. But it must find expression in some form. However, discontent per se is not a grievance. Initially, the employee may complain orally or in writing. If this not looked into promptly, the employee feels a sense of lack of justice. Now the discontent grows and takes the shape of a grievance.

e) Broadly speaking, thus, a grievance is traceable to perceived non-fulfillment of one's expectations from the organisation.

13.3 FORMS OF GRIEVANCES

A grievance may take anyone of the following forms:

a) ***Factual:*** A factual grievance arises when legitimate needs of employees remain unfulfilled, e.g., wage hike has been agreed but not implemented citing various reasons.

b) ***Imaginary:*** When an employee's dissatisfaction is not because of any valid reason but because of a wrong perception, wrong attitude or wrong information he has. Such a situation may create an imaginary grievance. Though management is not at fault in such instances, still it has to clear the 'fog' immediately.

c) ***Disguised:*** An employee may have dissatisfaction for reasons that are unknown to himself. If he/she is under pressure from family, friends, relatives, neighbours, he/she may reach the work spot with a heavy heart. If a new recruit gets a new table and almirah this may become an eyesore to other employees who have not been treated likewise previously.

13.4 CAUSES OF GRIEVANCES

Grievances may occur for a number of reasons:

a) ***Economic:*** Wage fixation, overtime, bonus, wage revision, etc. Employees may feel that they are paid less when compared to others.

b) ***Work Environment:*** Poor physical conditions of workplace, tight production norms, defective tools and equipment, poor quality of materials, unfair rules, lack of recognition, etc.

c) ***Supervision:*** Relates to the attitudes of the supervisor towards the employee such as perceived notions of bias, favouritism, nepotism, caste affiliations, regional feelings, etc.

d) ***Work group:*** Employee is unable to adjust with his colleagues; suffers from feelings of neglect, victimisation and becomes an object of ridicule and humiliation, etc.

e) ***Miscellaneous:*** These include issues relating to certain violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leave, medical facilities, etc.

The Table 1 describes the classification and causes of grievances.

Table 1: Classification and Causes of Grievances

Classification	***Causes***
1) Wage grievances	- demand for individual wage adjustment - complaint about job classification - complaint about incentive system - miscellaneous
2) Supervision	- complaint against discipline / administration - complaint against behaviour of supervisor - objection to the method of supervision
3) Working conditions	- safety and health - violation of rules and regulations - miscellaneous
4) Seniority and promotion	- loss of seniority and transfers - calculation/interpretation of seniority - promotion - denial or delay - transfer or change of shifts
5) Discipline	- discharge/dismissal/layoffs - alcoholism, absenteeism and accidents - harshness of punishment and penalty
6) Collective bargaining	- violation of contract/award/agreement - interpretation of contract/ award /agreement - settlement of grievances
7) Union management	- recognition of union relation - harassment of union bearers - soldiering / go-slow tactics

Jackson traces the causes of grievances as arising from the following issues:

- working environment e.g., light, space, heat.
- use of equipment, e.g., tools that have not been properly maintained.
- supervisory practices, e.g., workload allocation.

- personality clashes and other inter-employee disputes (work-related or otherwise).
- behaviour exhibited by managers or other employees, e.g. allocation of 'perks' such as Sunday overtime working, and harassment, victimisation, and bullying incidents.
- refused requests, e.g., annual leave, shift changes.
- problems with pay: e.g. late bonus, payments, adjustments to overtime pay perceived inequalities in treatment: e.g., claims for equal pay, appeals against performance related pay awards.
- organisational change, e.g., the implementation of revised company policies or new working practices.

The authors stress that all these causes should be investigated to achieve the following twin objectives:

- redress the grievances of the complainant.
- initiate remedial steps to prevent recurrence of similar grievances in the future.

Different aspects of grievance are as follows:

1) ***Organisational aspects:*** Organisational structure, policy plans and procedure.

2) ***Informational aspects:*** Ignorance about company rules, regulations, promotion policies, career prospects, transferability etc.

3) ***Human aspects:*** A variety of reasons, the major ones being poor mental health and attention.

13.5 EFFECTS OF GRIEVANCE

Grievances, if they are not identified and redressed, may affect adversely the workers, managers and the organisation. The effects are:

1) On production include:
   - Low quality of production.
   - Low quality of production and productivity.
   - Increase in the wastage of material, spoilage/leakage of machinery.
   - Increase in the cost of production per unit.

2) On the employees:
   - Increases the rate of absenteeism and turnover.
   - Reduces the level of commitment, sincerity and punctuality.
   - Increases the incidence of accidents.
   - Reduces the level of employee morale.

3) On the managers:

- Strains the superior-subordinate relations.
- Increases the degree of supervision, control and follow up.
- Increases in discipline cases.

Increase in unrest and thereby machinery to maintain industrial peace. Beach also refers to several reasons why there should be a formal procedure to handle grievances:

- All employee complaints and grievances are in actual practice not settled satisfactorily by the first level supervisor, due to lack of necessary human relations skills or authority to act.
- It serves as a medium of upward communication, whereby the management becomes aware of employee frustrations, problems and expectations.
- It operates like a pressure release valve on a steam boiler, providing the employees with an outlet to send out their frustrations, discontents and grips.
- It also reduces the likelihood of arbitrary action by supervision, since the supervisors know that the employees are able to protest such behaviour and make their protests heard by higher manager.

The very fact that employees have a right to be heard and actually heard helps to improve morale.

13.6 THE DISCOVERY OF GRIEVANCES

Grievances can be uncovered in a number of ways. Gossip and grapevine offer vital clues about employee grievances. Ripe boxes, open door policies periodic interviews, exit surveys could also be undertaken to uncover the mystery surrounding grievances. These methods are discussed below:

a) ***Observation:*** A manager / supervisor can usually track the behaviours of people working under him. If a particular employee is not getting along with people, spoiling materials due to carelessness or recklessness, showing indifference to commands, reporting late for work or is remaining absent - the signals are fairly obvious. Since the supervisor is close to the scene of action, he can always find out such unusual behaviours and report promptly.

b) ***Grievance procedure:*** A systematic grievance procedure is best means to highlight employee dissatisfaction at various levels. Management, to this end, must encourage employees to use it whenever they have anything to say. In the absence of such a procedure, grievances pile up and burst up in violent forms at a future date. By that time things might have taken an ugly shape altogether, impairing cordial relations between labour and management. If management fails to induce employees to express their

grievances, unions will take over and emerge as powerful bargaining representatives.

c) ***Gripe boxes:*** A gripe box may be kept at prominent locations in the factory for lodging anonymous complaints pertaining to any aspect relating to work. Since the complaint need not reveal his identity, he can express his feelings of injustice or discontent frankly and without any fear of victimisation.

d) ***Open door policy:*** This is a kind of walk-in-meeting with the manager when the employee can express his feelings openly about any work-related grievance. The manager can cross-check the details of the complaint through various means at his disposal.

e) ***Exit interview:*** Employees usually leave their current jobs due to dissatisfaction or better prospects outside. If the manager tries sincerely through an exit interview, he might be able to find out the real reasons why 'X' is leaving the organisation. To elicit valuable information, the manager must encourage the employee to give a correct picture so as to rectify the mistakes promptly. If the employee is not providing fearless answers, he may given a questionaire to fill up and post the same after getting all his dues cleared from the organisation where he is currently employed.

f) ***Opinion surveys:*** Surveys may be conducted periodically to elicit the opinions of employees about the organisation and its policies.

13.7 GRIEVANCE HANDLING PROCEDURE

As already discussed, there are valid reasons to have the grievances processed through a machinery or a procedure.

Objectives of a Grievance Handling Procedure

Jackson (2000) lays down the objectives of a grievance handling procedure as follows:

- To enable the employee to air his/her grievance.
- To clarify the nature of the grievance.
- To obtain, where possible, a speedy resolution to the problem.
- To take appropriate actions and ensure that promises are kept.
- To inform the employee of his or her right to take the grievance to the next stage of the procedure, in the event of an unsuccessful resolution.

The Benefits of a Grievance Handling Procedure

According to Jackson (2000), further benefits that will accrue to both the employer and employees are as follows:

- It encourages employees to raise concerns without fear of reprisal.
- It provides a fair and speedy means of dealing with complaints.
- It prevents minor disagreements developing into more serious disputes.

- It saves employers time and money as solutions are found for workplace problems. It helps to build an organisational climate based on openness and trust.

Processing of Grievance

The details of a grievance procedure/machinery may vary from organisation to organisation. Here, a four phase model (Figure 1) is suggested. The first and the last stages have universal relevance, irrespective of the differences in the procedures at the intermediate stages. The four stages of the machinery are briefly discussed here:

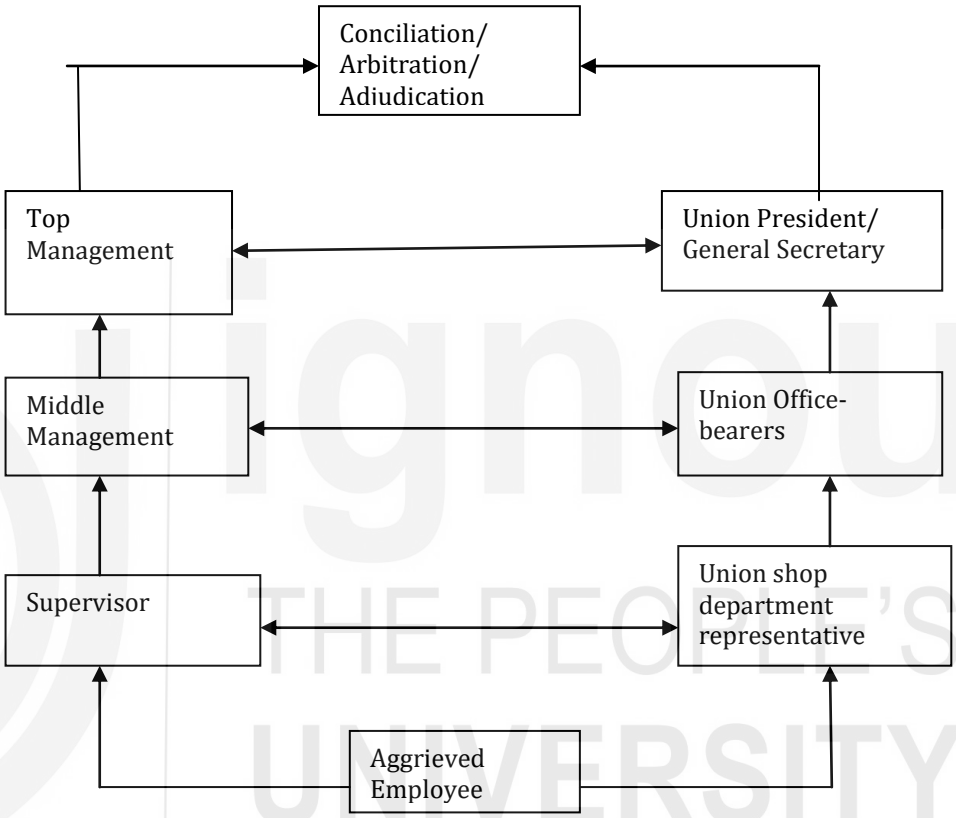


Figure 1: Grievance Procedure
(**Adapted from:** C. Pettefer, Effective GrievanceAdministration, California Management Review, 12(i), Winter 1970, p.18)

The level at which grievance occurs : The best opportunity to redress a grievance is to resolve it at the level at which it occurs. A worker's grievance should be resolved by his immediate boss, the first line supervisor. The higher the document rises through the hierarchy, the more difficult it is to resolve. Bypassing the supervisor would erode his authority. When the process moves to a higher stage, the aggrieved employee and the supervisor concerned may shift their focus to save face by proving the other wrong. The substantive aspect of any of the grievances may thus be relegated and dysfunctional aspects come to the fore thus making it more difficult to settle the issue.

In a unionised concern, the first stage of the procedure usually involves three people: the aggrieved employee, his immediate boss and the union representative in the shop/ department. It is possible to involve the union in laying down the framework of the grievance procedure and thereafter restrain union involvement in the actual process, at least in the first two stages. The

choice depends on the top management attitude and orientation towards the dynamics of union-management relations.

Supervisory role needs to be strengthened, with appropriate training in problem- solving skills, grievance handling and counselling so that he can do much in reducing the number of grievances that get passed to higher stages in the machinery.

Unrealistic policies and expectations and lack of commitment for equity and fairplay can cause problems in handling grievances at the lower leval. Inadequate delegation of authority may also inhabit a supervisor's effectiveness in handling grievances at this level.

Intermediate Stage : If the dispute is not redressed at the supervisor's level, it will usually be referred to the head of the concerned department. It is important that line management assume prime responsibility for the settlement of a grievance. Any direct involvement by personnel department may upset balance in line-staff relations.

At the intermediate level, grievance can be settled with or without union involvement. Excessive reliance on supervisor at this stage can jeopardise the interests of the employee and affect the credibility of the procedure.

Organisation

Level: If a grievance is not settled at the intermediate level also, it will be referred to the top management. Usually, a person of a level not less than General Manager designated for the purpose will directly handle the issue. By now, the grievance may acquire some political importance and the top leadership of the union may also step in formally, if the procedure provides for it and informally, if the procedure prohibits it. At this level it is very difficult to reconcile the divergent interests.

Third Party Mediation: If the grievance has not been settled bi-laterally within the organisation, it goes to a third party for mediation. It could be conciliation, arbitration or adjudication or the matter may even be referred to a labour court. At this stage, the parties concerned lose control over the way the grievance is settled. In case of mediation (conciliation or arbitration) the mediator has no authority to decide, but in case of labour court or an adjudicator, the decision will be binding on the parties, subject to statutory provisions for appeal to higher courts.

Steps in Grievance Handling Procedure

At any stage of the grievance machinery, the dispute must be handled by some members of the management. In grievance redressal, responsibility lies largely with the management. And, as already discussed, grievances should be settled promptly at the first stage itself. The following steps will provide a measure of guidance to the manager dealing with grievances.

Acknowledge Dissatisfaction: Managerial/supervisory attitude to grievances is important. They should focus attention on grievances, not turn away from them. Ignorance is not bliss, it is the bane of industrial conflict.

Condescending attitude on the part of supervisors and managers would aggravate the problem.

Define the Problem: Instead of trying to deal with a vague feeling of discontent, the problem should be defined properly. Sometime the wrong complaint is given. By effective listening, one can make sure that a true complaint is voiced.

Get the Facts: Facts should be separated from fiction. Though grievances result in hurt feelings, the effort should be to get the facts behind the feelings. There is need for a proper record of each grievance.

Analyse and Decide: Decisions on each of the grievances will have a precedent effect. While no time should be lost in dealing with them, it is no excuse to be slip-shod about it. Grievance settlements provide opportunities for managements to correct themselves, and thereby come closer to the employees. Horse-trading in grievance redressal due to union pressures may temporarily bring union leadership closer to the management, but it will surely alienate the workforce away from the management.

Follow up: Decisions taken must be followed up earnestly. They should be promptly communicated to the employee concerned. If a decision is favourable to the employee, his immediate boss should have the privilege of communicating the same.

Some of the common pitfalls that managements commit in grievance handling relate to (a) stopping the search for facts too soon; (b) expressing a management opinion before gathering full facts; (c) failing to maintain proper records; (d) arbitrary exercise of executive discretion; and (e) settling wrong grievances.

Key Features of a Good Grievance Handling Procedure

Torrington & Hall refer to four key features of a grievance handling procedure, which are discussed below.

a) ***Fairness:*** Fairness is needed not only to be just but also to keep the procedure viable, if employees develop the belief that the procedure is only a sham, then its value will be lost, and other means sought to deal with the grievances. This also involves following the principles of natural justice, as in the case of a disciplinary procedure.

b) ***Facilities for representation:*** Representation, e.g., by a shop steward, can be of help to the individual employee who lacks the confidence or experience to take on the management single-handedly. However, there is also the risk that the presence of the representative produces a defensive management attitude, affected by a number of other issues on which the manager and shop steward may be at loggerheads.

c) **Procedural steps**: Steps should be limited to three. There is no value in having more just because there are more levels in the management hierarchy. This will only lengthen the time taken to deal with matter and will soon bring the procedure into disrepute.

d) ***Promptness:*** Promptness is needed to avoid the bitterness and frustration that can come from delay. When an employee 'goes into procedure,' it is like pulling the communication cord in the train. The action is not taken lightly and it is in anticipation of a swift resolution. Furthermore, the manager whose decision is being questioned will have a difficult time until the matter is settled.

Essential pre-requisites of a Grievance Handling Procedure

Every organisation should have a systematic grievance procedure in order to redress the grievances effectively. As explained above, unattended grievances may culminate in the form of violent conflicts later on. The grievance procedure, to be sound and effective should possess certain pre-requisites:

a) ***Conformity with statutory provisions:*** Due consideration must be given to the prevailing legislation while designing the grievance handling procedure.

b) ***Unambiguity:*** Every aspect of the grievance handling procedure should be clear and unambiguous. All employees should know whom to approach first when they have a grievance, whether the complaint should be written or oral, the maximum time in which the redressal is assured, etc. The redressing official should also know the limits within which he can take the required action.

c) ***Simplicity:*** The grievance handling procedure should be simple and short. If the procedure is complicated it may discourage employees and they may fail to make use of it in a proper manner.

d) ***Promptness:*** The grievance of the employee should be promptly handled and necessary action must be taken immediately. This is good for both the employee and management, because if the wrong doer is punished late, it may affect the morale of other employees as well.

e) ***Training:*** The supervisors and the union representatives should be properly trained in all aspects of grievance handling before hand or else it will complicate the problem.

f) ***Follow up:*** The Personnel Department should keep track of the effectiveness and the functioning of grievance handling procedure and make necessary changes to improve it from time to time.

A Model Grievance Procedure is given in Appendix 1.

Activity A: Study the grievance procedure and practices in an organisation to which you have access and present a brief report.

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Nair & Nair state that in the Indian context, certain guidelines were evolved in formulating grievance handling procedures in different types of organisations - small, big, unionised, non-unionised.

According to Nair & Nair, grievance handling procedures can be broadly classified as 3step, 4-step or 5-step. The details are tabulaed in the following Table. One of the prominent features of the procedure suggested by Nair & Nair is the intervention of Grievance Committes in the 5-step procedure, which works in the Indian context. This committee consists of: in unionised context, two nominees each from the management and the union (1 union representative should be from the same department as the aggrieved employee); in a non unionised set up, two representatives from the management, representative in the 'Works secretary/vice president of the 'Works Committee.'

Table 2: Comparison of Grievance Redressal Procedure

Steps	3-Steps Procedure	4-Steps Procedure	5-Steps Procedure
Step No.1	Worker with shop Rep. of union vs. G.M. or Owner	Worker with shop Rep. of union vs. Shop Supervisor	Worker with shop Rep. of union vs. Shop Supervisor
Step No.2	Union Re. of Plant Vs. G.M. or Owner G.M. or Owner	Work Committee Vs. Manager	Union Re. of Plant Vs. Manager-R.R.
Step No.3	Arbitration by independent Authority	Local Union Leaders Vs. Chief Executive	Grievances Committee Vs. Director (P&A)
Step No. 4		Arbitration	Regional Re. Union Vs. Chief Executive
Step No. 5			Arbitration

Source: Nair & Nair

13.8 GRIEVANCE MANAGEMENT IN INDIAN INDUSTRY

At present, there are three legislations dealing with grievances of employees working in industries. The Industrial Employment (Standing Orders) Act, 1946, requires that every establishment employing 100 or more workers should frame standing orders. These should contain, among other things, a provision for redressal of grievances of workers against unfair treatment and wrongful actions by the employer or his agents. The Factories Act, 1948, provides for the appointment of a Welfare Officer in every factory ordinarily employing 500 or more workers. These Welfare officers also look after complaints and grievances of workers. They will look after proper

implementation of the existing labour legislation. Besides, individual disputes relating to discharge, dismissal or retrenchment can be taken up for relief under the Industrial Disputes Act, 1947, amended in 1965.

However, the existing labour legislation is not being implemented properly by employers. There is a lack of fairness n their part. Welfare officers have also not been keen on protecting the interests of workers in the organised sector. In certain cases, they are playing a dual role. It is unfortunate that the public sector, which should set up an example for the private sector, has not been implementing labour laws properly.

In India, a Model Grievance Procedure was adopted by the Indian Labour Conference in its 16th session held in 1958. At present, Indian industries are adopting either the Model Grievance Procedure or procedures formulated by themselves with modifications in the Model Grievance Procedure. In other words, the grievance Procedures are mostly voluntary in nature.

Proactive Grievance Redressal

The traditional Grievance Redressal System is mechanical reactive and formal. But Grievances are human problems with lot of emotions and sentiments attached with them. It requires informal, proactive & human touch. It must give the impression that management cares their employees and attach value to them.

A proactive grievance redressal system has been fixed in Visakhapatnam Steel Plant and NALCO with a great success. It is based on the principle of "management by walking". A thirsty man goes to the well. That is a common phenomenon. A proactive phenomenon will be if the well goes to the thirsty and quenches his thirst.

In existing system an aggrieved employee goes to the Management and follows formal procedure for the redressal of his grievance. It is insensitive to human emotions. Very often, grievance get rejected on flimsy grounds. In proactive system the management system goes to the worker, listen to grievance and on subsequent day answer to his grievance. Even if his grievance is not agreed, the causes and other details are explained in person. This has worked on well. Organisations can improvise the system as per their requirements. Improve experiments must go on.

Sincerity of management is the pre-condition. Unions leaders and shop managers have to play positive role. It takes time to catch on. Therefore, patience is another requirement. Message must go that management 'care' their employees. Only then, it can serve the purpose.

Discipline Management

Employee discipline is the backbone of industrial relations. In fact, the function of management is to keep an enterprise going on smoothly, efficiently and profitably. To do this, you need a workforce that has to accept certain reasonable standards of behaviour at the workplace. Effective employee performance depends on the willingness on the part of your

subordinates to carry out the orders of their superiors, to abide by the rules and norms of your organisation.

The purpose of this part of the unit is to discuss and examine what discipline is, what the various aspects of employee discipline are, and how positive discipline can be achieved by you from your subordinates. We shall also examine the judicial process of maintaining industrial discipline, and how to deal with indiscipline among industrial employees.

13.9 CONCEPT AND MEANING OF DISCIPLINE

Discipline is the regulation and modulation of human activities to produce a controlled performance. The real purpose of discipline is quite simple. It is to encourage employees to confirm to established standards of job performance and to behave sensibly and safely at work. Discipline is essential to all organised group action.

Definition of Discipline

Webster's Dictionary gives three basic meanings to the word discipline, the first being that of training that corrects, moulds, strengthens, or perfects. The second meaning is control gained by enforcing obedience and the third is punishment. By combining the first and second definitions you can say that discipline involves the conditioning or moulding of behaviour by applying rewards or you can say that discipline involves the conditioning or moulding of behaviour by applying rewards or penalties. The third meaning is narrower in that it pertains only to the act of punishing wrongdoers. Besides these broad definitions, there are others referring to organisational life in particular, for example:

> "Discipline is a procedure that corrects or punishes a subordinate because a rule of procedure has been violated."
>
> —Dessler,2001

> "Discipline should be viewed as a condition within an organisation whereby Employees know what is expected of them in terms of the organisation's rules, Standards and policies and what the consequences are of infractions."
>
> —Rue & Byars, 1996

From the above definitions, you can find the following elements:

- The objective is orderly behaviour .
- Orderly behaviour is a group desire.
- Orderly behaviour assists the attainment of organisational goals
- When members behave appropriately as per rules, there is no need for disciplinary action. This is self discipline.
- When some members violate the rules and regulations, punitive actions are needed to correct them.

- Punishment serves two purposes: first, to directly punish an individual for an offence and secondly, to set an example for others not to violate the rules and regulations.

Those employees who observe the rules and standards are rewarded by praise, by security and often by advancement. Those who cannot stay in line or measure up to performance standards are penalised in such a way that they can clearly learn what acceptable performance and behaviour are. Most employees recognise this system as a legitimate way to preserve order and safety and to keep everyone working towards the same organisational goals and standards. For most employees, self discipline is the best discipline. As often as not, the need to impose penalties is a fault of the management as well as of the individual worker. For that reason alone, a supervisor should resort to disciplinary action only after all else fails. Discipline should never be used as a show of authority or power on the supervisor's part.

Let us now distinguish the major aspects of discipline.

Negative Discipline: Negative discipline involves force or an outward influence. It is the traditional aspect of discipline and is identified with ensuring that subordinates adhere strictly to rules, and punishment is meted out in the event of disobedience or indiscipline. As you can see, in this perspective strict penalties are levied for the violation of rules. It is, in fact, the fear of punishment that works as a deterrent in the mind of the subordinate. Approaching discipline from this kind of a perspective has been proving increasingly ineffective for various reasons.

Positive Discipline: In this type of discipline subordinates comply with the rules not from fear of punishment, but from the desire to cooperate in achieving the common goal of the organisation. In positive discipline willingness to comply is most important. The emphasis here is on cooperative efforts to secure compliance to organisational norms. It promotes emotional satisfaction instead of emotional conflict, and the increased cooperation and coordination reduces the need for formal authority. This approach to discipline will help you to achieve both individual needs of the subordinates and organisational goals for you. It would therefore motivate your subordinates to work with zeal and fulfil their needs. Positive discipline, in other words, calls for internalisation by your subordinates of the objectives and expected norms of behaviour in your organisation. The positive concept of discipline assumes a certain degree of self-discipline.

Discipline as Self-control: Discipline at one level means training that corrects, moulds, strengthens, or perfects the behaviour. Discipline, in this sense, refers to the development of an individual, i.e., one's efforts at self-control for the purpose of adjusting oneself to certain needs and demands. This is nothing but what you would call self-discipline. You will agree with us that it is extremely important to have this kind of self-discipline both in you and in your subordinates for effectively and efficiently achieving your organisational objectives. Here again the emphasis is on establishing and ensuring a minimum degree of orderliness. This orderliness is obtained in the

modern work context by increasing the degree and extent of compliance by subordinates. Let us examine it a little more closely.

13.10 INDISCIPLINE

Indiscipline refers to the absence of discipline. Indiscipline, therefore, means non- conformity to formal and informal rules and regulations. We cannot afford indiscipline as it will affect the morale, involvement and motivation of subordinates in the organisation. Indiscipline often leads to chaos, confusion, and reduces the efficiency of the organisation. It often leads to strikes, go-slows, absenteeism, resulting in loss of production, profits and wages.

Factors Leading to Indiscipline

Various socio-economic and cultural factors play a role in creating indiscipline in an organisation. We wonder if you realise the fact that often indiscipline may arise because of poor management on your part. Insensitive and thoughtless words and deeds from a manager are potent reasons for subordinates to resort to acts of indiscipline. Defective communication by the superiors and ineffective leadership devoid of tactful human relations approach can cause indiscipline among subordinates. Indiscipline by your subordinate may be an outcome of your non- response to his grievance.

Your subordinates may indulge in acts of indiscipline because of unfair practices on your part, like the wage differentials, unreasonable declaration of payment of bonus or non-payment, wrong work assignments, defective grievance handling, etc. The payment of low wages is perhaps another reason for indiscipline. When the worker is paid low wages and in addition you demand more and more work from him, he becomes dissatisfied, dishonest and insubordinate. Poverty, frustration and indebtedness, generally overshadow his mind which makes him agitated and indisciplined. His mind and thought are more towards destruction than constructive discipline.

Low payment of wages also creates lack of motivation in your subordinates. After all, each individual needs response, security, recognition and new experience. A workman joins your organisation and agrees to give a certain amount of work and loyalty, while he expects at the same time, in return, an adequate economic reward, security, fair human treatment and other kinds of support from you. If he does not get what he expected, he starts getting dissatisfied. He gradually begins to express his grievance by way of absenting himself, coming late to the office, inefficiency and insubordination.

Defective communication between you and your subordinate also leads to conflict of various kinds. Very often your subordinates get no opportunity to express their feelings and sentiments. Unless you adopt a humane and understanding approach there is more likelihood that your subordiate may take recourse to indiscipline.

Forms of Indiscipline

Absenteeism, insubordination, violation of plant rules, gambling, incompetence, damage to machine and property, strikes, dishonesty and other forms of disloyalty lead to industrial indiscipline. These are all forms of misconduct against the management.

If an act of an employee is prejudicial or likely to be prejudicial to the interests of the employer or to his reputation, it is a misconduct. The act of an employee can become a misconduct in the following cases:

a) where the act of a workman is inconsistent with the peaceful discharge of his duty towards his employer;
b) where the act of the employee makes it unsafe for the employer to retain him in service;
c) where the act of the employee is so grossly immoral that all reasonable men would not trust that employee;
d) where the conduct of the employee is such as to open before him ways for not discharging his duties properly;
e) where the conduct of the employee is such that the employer cannot rely on his faithfulness;
f) where the conduct of the employee is insulting and insubordinate to such a degree as to be uncomfortable with the continuance of a superior-subordinate relationship;
g) where the workman is abusive or he disturbs the peace at the place of his employment; and
h) where the employee is habitually negligent in respect of the duties for which he is engaged.

It is very difficult to lay down exhaustively as to what would constitute misconduct and indiscipline. It would depend upon the examination of facts. Some of the acts of misconduct are mentioned in the Model Standing Orders as a part of the rules made under the Industrial Employment (Standing Orders) Act of 1946. Non-performance of duty is a serious misconduct, because it is basically inconsistent with the obligations of employment. Under the act of negligence, an employee fails to give full care and attention on account of which the work becomes defective, and production suffers both in quantity and quality. It is a misconduct to cause disorder on the premises, intimidate, threaten or assault other employees and use abusive language. Preventing the entry and exist of willing employees and movement of goods to and from the factory, obstructing the work being carried on, damaging the property of the employer, indulging in mischief or other objectionable activities, occupying the employer's premises or property, go-slow, etc. are forms of misconduct.

Insubordination, assault or threat to superior officers, defamation, making false complaint, are all acts of indiscipline. Non-performance of work during working office hours, tampering with official records, misappropriation of

accounts are acts of indiscipline which are considered to be of serious gravity.

13.11 PURPOSE AND OBJECTIVES OF DISCIPLINARY ACTION

The purpose of discipline according to Dessler (2001) is to encourage employees to behave sensibly at work, where being sensible is defined as adhering to rule and regulations. In an organisation, rules and regulations serve about the same purpose that laws do in society; discipline is called for when one of these rules or regulations is violated (Bittel & Newstrom, 1990). Following are some of the purposes and objectives of disciplinary action:

- To enforce rules and regulations.
- To punish the offender.
- To serve as an example to others to strictly follow rules.
- To ensure the smooth running of the organisation.
- To increase working efficiency.
- To maintain industrial peace.
- To improve working relations and tolerance.
- To develop a working culture which improves performance.

Dessler (2001) opines that a fair and just discipline process is based on three foundations: rules and regulations, a system of progressive penalties and an appeals process.

Let us probe this a bit more. Dessler (2001) states that a set of clear rules and regulations is the first foundation. These rules address things like theft, destruction of company property, drinking on the job and insubordination. The purpose of these rules is to inform employees ahead of time as to what is and is not acceptable behaviour. This is usually done during the employee's orientation.

A system of progressive penalties is the second foundation of effective disciplining. Penalties, according to Dessler, may range from oral warning to written warnings to suspension from the job to discharge. The severity of the penalty is usually a function of the type of offence and the number of times the offence has been committed.

Finally, there should be an appeals process as part of the disciplinary process; this helps to ensure that discipline is meted out fairly and equitably.

Right to Take Disciplinary Action

Right to take disciplinary action emanates from employer-employee relationship and is regulated by contract of employment, standing order of the company (for workers) or conduct and discipline (appeal) rules (for supervisory staff) of the organisation promptness in disciplinary cases is essential. It has to be ascertained which disciplinary rules are applicable to the deliquent employee for taking action.

13.12 DISCIPLINARY ACTION PROCEDURE

To start with, based on any misconduct committed by the employee or complaint, a preliminary enquiry is called for. Then disciplinary authority has to initiate action. The following authorities are laid by the organisation for various levels of employees:

a) Disciplinary authority; b) Appellate authority; and c) Reviewing authority.

Stages of Disciplinary Proceedings are explained through Flow Chart (Figure 2)

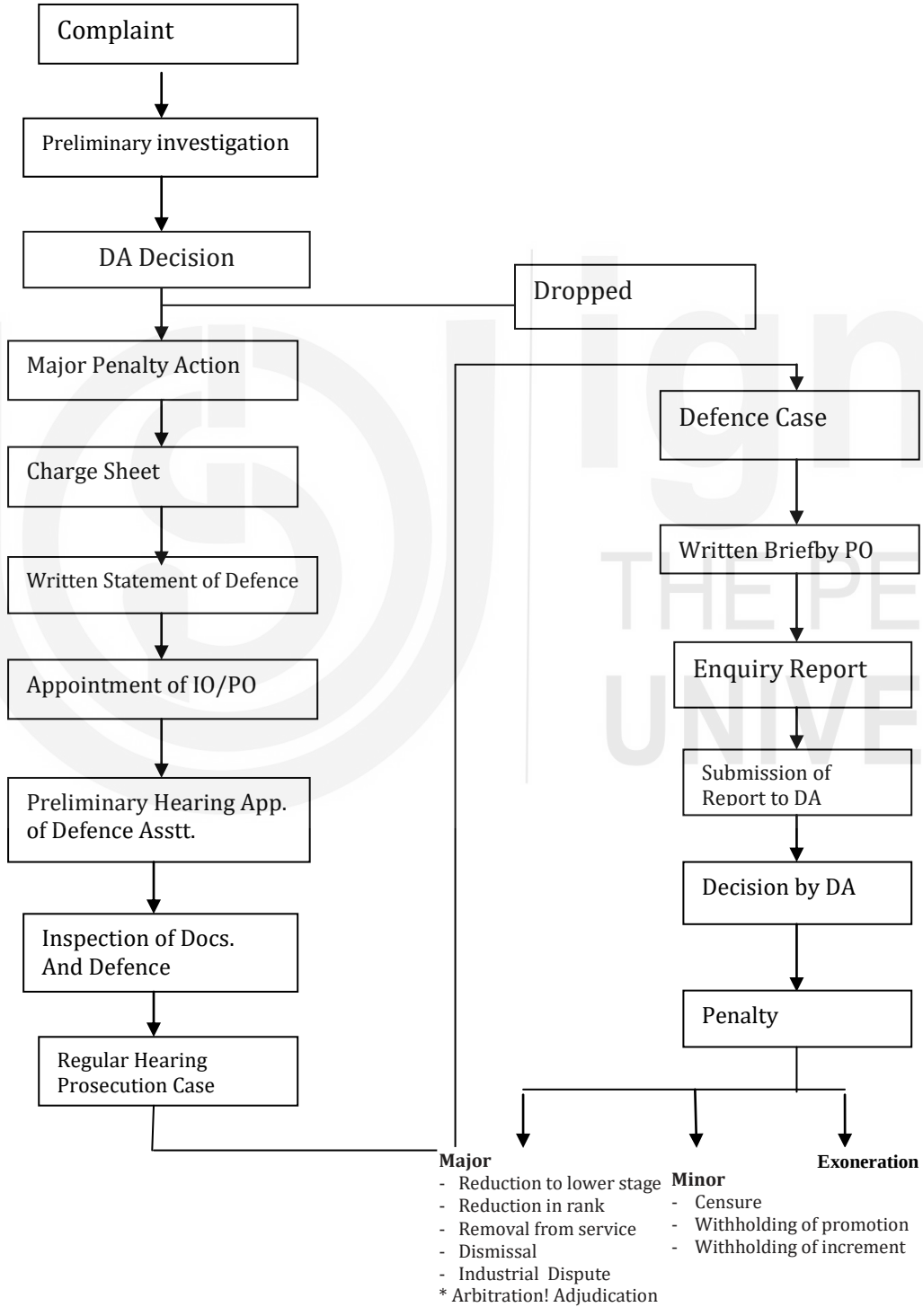

Figure 2: Flow Chart of Disciplinary Proceedings

Based on judicial pronouncement, elaborate procedure have been evolved which has to be followed to avoid infirmities in the disciplinary action. Various stages involved are briefly indicated as under:

i) preliminary enquiry,
ii) framing and serving of charge sheet,
iii) holding of domestic enquiry,
iv) report of the enquiry officer,
v) consideration of the report of the enquiry officer by disciplinary authority,
vi) order of punishment and its communication, and
ii) appeal.

1) Issue of the Charge-Sheet

Delinquent employee is to be issued a charge-sheet call him to submit his explanation within a specified period of time. This charge-sheet should be drafted in a clear and unambiguous language so that the workman does not have any difficulty in understanding the charges that he has to answer. Wherever possible, the relevant clause of the company's standing orders should be mentioned in a charge-sheet. If the charge relates to an incident, the date, time and place of the occurrence should be mentioned. Proper care should be taken in framing the charge-sheet, for the validity of the punishment would depend on the enquiry of the misconduct mentioned in the charge-sheet. The charge-sheet should be in the local language.

The charge-sheet framed against delinquent employee and duly signed by the disciplinary authority should be served on him personally if possible and acknowledgement to the effect should be obtained from him. In case the workman is absent, or if he refuses to accept the charge-sheet when presented to him, the same should be sent to his local and home addresses by post under-registered cover with acknowledgements due, after getting his refusal attested by two witnesses. In case the charge-sheet is returned unserved with the remarks of the postal authorities, the same should be kept intact without opening. In such a case, the employer should display the charge-sheet on the notice board or act in accordance with the provisions of the standing orders. In some cases, it may be necessary to public the contents of the charge-sheet in a local newspaper having wide publicity .

2) Suspension Pending Enquiry

In a case where the charges levelled against a workman are of serious nature and it is considered by the disciplinary authority that his physical presence might endanger the safety of other workmen, or if it is apprehended that he might intimidate others or tamper with the evidence, he may be suspended. During the period of suspension pending enquiry, the workman will get subsistence allowance as per rules.

3) Consideration of the Explanation

After a charge-sheet has been served on a workman for reply he may submit his explanation:

i) admitting the charges and requesting for mercy, or

ii) denying the charges and requesting for an enquiry, or

iii) not submitting any explanation at all, or

iv) requesting for more time to submit explanation.

In a case where the workman admits the charge which is of a minor nature and begs for mercy, no enquiry is held and decision is taken accordingly on the charge-sheet. If, however the misconduct is serious enough to warrant discharge or dismissal, the management should still arrange to hold a proper enquiry, the admission of the charges not withstanding.

In a case where the workman submits an explanation mentioning that the charges levelled against him are false, baseless, motivated, concocted, etc. A proper enquiry as per procedure should be held before awarding any punishment.

When the workman fails to submit any explanation within the specified time limit, the management should take steps to hold a proper enquiry.

When the workman concerned makes a bonafide request on reasonable grounds for extension of time to submit explanation, the same should be granted.

4) Notice for Holding the Enquiry

After consideration of the explanation of the charge-sheeted workman or when no reply is received within the specified time limit, the disciplinary authority should issue an order appointing an enquiry officer or an enquiry committee to hold the enquiry of the charge-sheet. The enquiry officer can be an official of the company, or even anoutsider, but care should be taken to appoint only such a person as enquiry officer who is neither a witness nor is personally interested in any way in the matter for which the charge-sheet has been issued. It should also contain the name of the management representative.

Thereafter, the enquiry officer should issue a notice of enquiry. This notice of enquiry should clearly mention the date, time and place of enquiry. It should ask the workman to present himself with his witnesses/documentary evidence, if any, for the enquiry. It should also be mentioned in the notice of enquiry that if the workman fails to attend the enquiry on the appointed date and time, the same will he held ex-parte. A reasonable period of time should be given to the workman for preparing his defence before the enquiry is held.

5) Holding of the Enquiry

The object of holding an enquiry is to find out whether the workman is guilty of the charges levelled against him in the charge-sheet, or not. In doing so, the enquiry officer gives the workman a reasonable opportunity to defend himself by cross- examining the witnesses/documentary evidence/exhibits produced against him and by examining the witnesses/documentary evidence in his defence. The workman concerned can also make statement in his defence apart from what is stated in reply to the charge-sheet. It should be clearly understood that it is for the management's representative, i.e., evidence officer to prove the charges against a workman by adducing evidence during the enquiry and it is not the workman who has to prove his innocence. Unless management side has been able to prove the case against the workman, he should not be considered guilty.

6) The Enquiry

On the appointed date and time, fixed for the enquiry, the following persons should be present apart from the enquiry officer.

a) **Presenting Officer:** He is the person who will lead the case from the management's side by producing witnesses and relevant documentary evidence in support of the charge. He may himself be a witness, in which case he is the first person to be examined. The presenting officer has a right to cross-examine a charge-sheeted workman as well as the witness/documentary evidence produced by him.

b) **Delinquent Employee:** No enquiry can be said to have been held as per procedure in the absence of the charge-sheeted employee. However if he refuses to take part in the enquiry after presenting himself, or when he does not report for the enquiry despite receiving the notice to him, the enquiry may proceed ex- parte, provided in the notice of the enquiry a specific mention to that effect had been made. Also, if during the enquiry, the delinquent employee withdraws himself, the same me be held ex-parte. In such a case, it is not advisable to postpone the enquiry and give another opportunity to the delinquent employee rather than holding ex-parte enquiry. In a case, where the delinquent employee turns up for the enquiry after some witnesses have been examined, it would be proper for the enquiry officer to allow him to participate in the enquiry after recording this fact in the proceedings. The enquiry officer should recall the witnesses who have already been examined in the absence of the delinquent employee so that he get an opportunity to cross-examine such witnesses.

c) **Representative of the Delinquent Employee:** If the delinquent employee writes to the charge-sheet or makes a subsequent request that he should be allowed to take a knowledgeable co-worker of his choice to assist him in the enquiry, the same should normally be allowed. In some companies, union committee member of the recognised trade union is

allowed to attend an enquiry on the specific request of the workman, to either assist him or play the role of an observer as per procedure.

d) **The Procedure of Enquiry:** At the commencement of the enquiry, if the delinquent employee is present, the enquiry officer should record the date, time and place of enquiry, names of the persons present and obtain their signatures on the order-sheet. Thereafter, he should proceed as follows:

- Read out and explain the charges and the reply of the charge-sheet to the delinquent employee and get his confirmation to that effect. In case the delinquent employee has not accepted the charge in reply to the charge-sheet, he should be asked if he pleads guilty of the charges. If the charges are admitted, that should be recorded and signatures of all concerned, with date, should be taken. A full-fledged enquiry need not be held if the misconduct is of a minor nature. In case the charge, if proved, is serious enough to warrant discharge or dismissal, the proper course is to hold the enquiry.

- Explain to the delinquent employee concerned the procedure to be followed in the enquiry, viz., that the presenting officer will produce witnesses/documentary evidence/exhibits in support of the charge and

- the delinquent employee will have opportunity to cross examine. Thereafter the delinquent employee should be given opportunity to produce his witnesses/ and the management representative will have a right to

- cross-examine them.

- The delinquent employee will have further opportunity to make statement, if any, in his defence. At any stage of the enquiry, the enquiry officer can seek clarification from any witness or the delinquent employee by puffing questions to him. Neither the presenting officer nor the delinquent employee can put leading questions to their respective witnesses.

- Witnesses in support of the charge are to be examined one by one in the presence of the delinquent employee.

- The charge-sheeted workman is to be given an opportunity to cross-examine management's witnesses. In case he declines to cross-examine any witness, an endorsement to that effect should be recorded by the enquiry officer.

- The delinquent employee should be asked to produce his own witnesses one by one and the presenting officer will be allowed to cross-examine them. The delinquent employee should be asked to give his statement after his witnesses are examined and cross-examined. He may also produce documentary evidence, if any. In case the delinquent employee declines to produce any witness/documentary evidence or declines to give any statement, the enquiry officer should make a record to that effect in the order-sheet

and obtain signatures of all concerned. If the enquiry remains incomplete in the first sitting and some more witnesses are required to be examined, it may be continued or any other day mutually agreed by both sides. In such a case, the enquiry officer should make a suitable endorsement in the order-sheet and obtain signatures of all concerned.

- On each. page of the enquiry proceedings, the signature with date of the charge-sheeted workman, his representative, if any, the concerned witness and the management representative should be taken. The concerned witness should sign on each page of his statement only. The
- enquiry officer will sign on each page of the proceedings after endorsing that the statement has been recorded by him and explained to the parties in their language before they were asked to sign. If the delinquent employee refuse to put his signature even after he had been asked to do so, the enquiry officer should make an endorsement to that effect and get it attested by others present.

e) **Ex-parte Enquiry:** If, on the day fixed for the enquiry, the delinquent employee does not turn up, an ex-parte enquiry may be held by following the usual procedure. In such an enquiry, the presenting officer has to lead the evidence against the charge-sheeted workman. The enquiry officer, by putting questions to the witnesses, get facers to come to reasonable conclusion about the validity or otherwise of the charges. As stated earlier, it is advisable to fix another date of enquiry, instead of holding an ex-parte enquiry on the first sitting itself.

The Enquiry Report: After the enquiry is over the enquiry officer makes an appreciation of the evidence on record and comes to his conclusion. If there is no corrobortive evidence on a particular point, the enquiry officer has to give his own reasons for accepting or rejecting the evidence of such a witness. The enquiry report is a document which should clearly indicate whether the charges levelled against the delinquent employee are proved or not. The conclusion of the enquiry officer should be logical and based only on evidence brought out during the enquiry. Tne enquiry officer may record clearly and precisely his conclusions with reasons for the same. There is no place for any conjecture or surmises in the enquiry report. It should be such that as per the evidence on record, any impartial man, not connected with the case, should be able to come to the same conclusion as that of the enquiry officer.

7) Final Decision of the Disciplinary Authority

The enquiry report is submitted to the Disciplinary Authority. Before he takes a decision on the findings of the enquiry officer, he is required to furnish a copy of the enquiry officer's report to the concerned employee. If he agrees with the findings of the enquiry officer, after considering the gravity of the misconduct and the past record of the delinquent employee equitable

treatment with precedents of action taken, etc., he may pass an order on the quantum of punishment after recording his reasons for the same in writing. An order in writing is passed to that effect and is communicated to the delinquent employee.

In case the disciplinary authority decides to punish the employee for his misconduct, the following are the punishments, which he can impose, depending upon the severecy of the misconduct. There are two kinds of punishment:

i) Minor Punishments

a) Warning or Sensor;

b) Fine (keeping the provisions of Section 8 of Payment of Wages Act in view); and

c) Withholding of increment (either with cumulative effect or non-cumulative effect).

ii) Major Punishments

a) Demotion;

b) Discharge; and

c) Dismissal

A letter communicating the order of discharge/dismissal should set out clearly the charge(s) proved against the delinquent employee and the date from which the order is to become effective. Normally, the order of discharge/dismissal should be effective from the date of the order, unless there is an express provision in the standing orders to the contrary.

8) Appeal

An employee can appeal against an order imposing upon him any of the penalties. The appellate authority may confirm, enhance, reduce or set-aside the penalty.

9) Conclude

It is the employer's right to direct its internal administration and maintain discipline. However, before passing an order of discharge or dismissal, the employer has to arrange for a fair and proper enquiry in consonance with the principles of natural justice. The reason is that its decision may not be reversed by the adjudicator at a later date, if the workman raises an industrial dispute challenging the order.

A domestic enquiry need not be conducted in accordance with the technical requirements of a criminal trial but they must fairly conducted and in holding them, consideration of "fair play" and "natural justice" must govern the conduct of the enquiry officer. A domestic enquiry must be conducted with an open mind, honestly and bonafide, with a view to determine whether the charge framed against the delinquent employee is proved or not.

In today's context, no employer can discharge or dismiss a delinquent workman even for a serious misconduct without following an elaborate procedure for taking disciplinary action. An employer can be guilty and penalised, if the adjudicator finds that there was want of good faith; or there was victimisation or unfair labour practices; or the management was guilty of a basic error or violation of a principle of natural justice; or on the grounds that the finding was completely baseless or perverse.

Activity B: a) Mention briefly the practice of disciplinary action procedure in your organisation.

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b) List out the number of major and minor punishments given to employees in your organisation and point out the causes of punishment.

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13.13 LEGAL PROVISIONS RELATING TO DISCHARGE OR DISMISSAL (UNDER INDUSRIAL DISPUTES ACT, 1947)

i) Individual Dispute

Individual disputes are not covered by the Industrial Disputes Act, 1947, except dispute of an individual workman relating to his discharge, dismissal, retrenchment and termination from service, which is to be considered as an industrial dispute under the Act (Sec.2a).

ii) Prior to Introduction of Sec. II A

In 1971, an employer could discharge or dismiss a workman for misconduct as per standing orders after following the procedure for conducting a domestic enquiry. The management's decision could not have been challenged before labour court, if enquiry was fairly and properly conducted as per the principles of natural justice. The court could not interfere with quantum of punishment. However, court has powers to interfere only when: (SCO Case - SC - 1958)

i) there was want of good faith, or

ii) there was victimisation or unfair labour practice, or

iii) violation of principles of natural justice, or

iv) findings was completely baseless or perverse.

iii) Position under Sec. llA

Section 11- A was inserted in the Act by the Industrial Disputes (Amendment) Act,

1971, w.e.f. 15.12.1971. The Statement of objects and reasons specifically referred to the decision of the Supreme Court in Indian Iron & Steel Co. Ltd. and Another vs. their Workmen (1958-1 LLJ.260). It also referred to recommendation No.119 of the International Labour Organisation, that a worker aggrieved by the termination of his employment should be entitled to appeal against the termination, among others, to a neutral body such as an arbitrator, a court, an arbitration committee or a similar body.

Effect of Section llA

Prior to the introduction of Section II-A, the Tribunal had no power to interfere with the finding of misconduct recorded in the domestic enquiry unless there existed one or other infirmities pointed out by the Supreme court in the case of Indian Iron & Steel Co. Ltd., The conduct of disciplinary proceedings and punishment to be imposed were all considered to be managerial function which the Tribunal had no power to interfere unless the finding was perverse or the punishment was so harsh as to lead to an inference of victimisation or unfair labour practice. But now under this Section, the Tribunal is clothed with the power to reappraise the evidence in the domestic enquiry and satisfy itself whether the said evidence relied on by employer established the misconduct alleged against a workman. The limitations imposed on the powers of the Tribunal by the decision in the Indian Iron & Steel Co. Ltd. Can no longer be invoked by an employer. Vaidialingam J. held: "The tribunal is now at liberty to consider not only whether the finding of misconduct recorded by an employer is correct, but also to differ from the said finding if a proper case is made out. What was once largely in the realm of the satisfaction of employer has ceased to be so, and now it is the satisfaction of the Tribunal that finally decides the matter." Ultimately, the Tribunal may hold that the misconduct itself is not proved or that the misconduct proved does not warrant the punishment of dismissal or discharge.

Under this Section, for the first time, power has been given to tribunal to satisfy itself whether misconduct is proved. This is particularly so, regarding even findings arrived at by an employer in an enquiry properly held. The Tribunal has also been given power also for the fIrst time, to interfere with the punishment imposed by an employer. When such wide powers have now been conferred on tribunals, the Legislature obviously felt that some restrictions have to be imposed regarding what matters could be taken into account. Such restrictions are found in the proviso. The Proviso only emphasises that the tribunal has to satisfy itself one way or the other

regarding misconduct, punishment and relief to be granted to workmen only on he basis of the "materials on record" before it.

Section ll-A does not cover retrenchment or retirement cases, because the section clearly indicates that it is for discharge and dismissal cases only.

iv) Industrial Disputes (Amendment) Act, 1982

An employer may be held guilty of unfair labour practice, in case court finds dismissal/discharge is to be: (i) on account of victimisation , (ii) not in good faith, (iii) in utter disregard of natural justice, (iv) for patently false reasons or disportionate punishment. Apart from the remedy of reinstatement of workman, the employer is liable for the penalty under Sec.254.

13.14 SUMMARY

In the first part of the unit we have discussed about grievance handling. A grievance is a form of discontent or dissatisfaction. There are several reasons for this and grievance has several adverse effects on production, employer and individual employee. There are several channels for discovering grievances. Machinery for grievance handling procedure has been described and a model grievance handling procedure has been provided at the end of the unit.

The second part of the unit examined various aspects of discipline. We have seen that discipline is by and large a result of the culture and the pattern of authority/power that are available in an organisation. There are specific purpose and objectives of disciplinary action in an organisation. A typical disciplinary action procedure has 10 steps. There are few legal provisions relating to discharge or dismissal under Industrial Disputes Act, 1947.

13.15 SELF ASSESSMENT QUESTIONS

1) Discuss the causes and effects of grievances.
2) Briefly outline the features of a grievance procedure and the steps involved in it.
3) Why should organisations have a formal grievance procedure?
4) Explain the meaning and concept of discipline with examples.
5) Describe briefly the stages of disciplinary action procedure.

13.16 FURTHER READINGS

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Appendix 1: Model Grievance Procedure

The Model Grievance Procedure suggested by the National Commission on Labour involves six successive time-bound steps each leading to the next, in case of dissatisfaction. The aggrieved worker in the first instance will approach the foreman and tells him of his grievance orally. The foreman has to redress his grievance and if the worker is not satisfied with this redressal, he can approach the supervisor. The supervisor has to provide an answer within 48 hours. In the even of the supervisor not giving an answer or the answer not being acceptable to the worker, the worker goes to the next step. At this stage the worker (either alone or accompanied by his departmental representative) approaches the Head of the Department who has to give an answer within three days. If the Departmental Head fails to give an answer or it the worker is not satisfied with his answer, the worker may appeal to the Grievance Committee, consisting of the representative of the employer and employees. The recommendations of this Committee should be communicated to the Manager within seven days from the date of the grievance reaching it. Unanimous decisions, if any, of the committee shall be implemented by the management. If there is no unanimity, the views of the members of the Committee shall be placed before the manager for his decision. The manager has to take a decision and inform the worker within three days.

The worker can make an appeal against the manager's decision and such an appeal has to be decided within a week. A union official may accompany the worker to the manager for discussion and if no decision is arrived at this stage, both the union and management may refer the grievance to voluntary arbitration within a week of the receipt of the management's decision. The worker in actual practice, may not resort to all the above mentioned steps. For example, if the grievance is because of his dismissal or discharge he can resort to the second step directly and he can make an appeal against dismissal or discharge.

Box 1 : Model Grievance Procedure

Procedure	**Timeframe**
Appeal to CMD	One week
General Manager	7 days
Grievance Committee (Manager + Union Reps.)	7 days unanimous
HOD	3 days
Shop-floor, Supervisor , Foreman	48 hours
Worker	

UNIT 14 UNIONS AND ASSOCIATIONS

Objectives

After completion of the unit, you should be able to:

- understand the background and forces responsible for birth of Trade UnionAssociations;;
- discuss various conceptual and theoretical aspects of Trade Unions/Associations;
- discuss the strength and weakness of Trade Unions/Associations;
- discuss the challenges before Trade Unions/Associations in changing business environment; and
- understand the shifts that are required to make Trade Unions/Associations responsive ones.

Structure

14.1 Introduction
14.2 Definition of Trade Unions
14.3 Formative Stages of Trade Unions
14.4 Forms of Trade Unions
14.5 Functions of Trade Unions
14.6 Objective of Trade Unions
14.7 Role of Trade Unions
14.8 Classification of Trade Unions
14.9 Theories of Trade Unionism
14.10 Growth of Trade Union Movement and Membership In India
14.11 Trade Union Act, 1926
14.12 Recognition of Trade Union
14.13 Rights of Recognised Unions
14.14 Problems Confronting Unions and Measures to Strengthen Trade UnionMovement in India
14.15 White-Collar and Managerial Trade Unions
14.16 Why White-Collar Workers' Unions?
14.17 Employers' Association
14.18 Summary
14.19 Self-Assessment Questions
14.20 Further Readings

14.1 INTRODUCTION

Trade Unionism grew as one of the most powerful socio-economic political institutions of our time - to fill in the vaccum created by industrial revolution in industrial society. It came as a contervailling force to reconcile social and economicaberrations created by Industrial Revolution. Individual dispensibility and collective indispensability was the basic principle for its formation. United we stand and divided we fall is the philosophy. The government policy of "Laissez-faire" left the working class at the mercy of mighty employers. The worker lacked bargaining power and seller of most perishable commodity (labour) he was no match for the mighty employer. The supply of labour was more and demand was less. Employers employed them at their terms, which were exploitative. The exploitation of labour was at its peak.

Combination of workers was considered as 'criminal conspiracy' and the terms of contract was regulated by workman Breach of Contract Act, 1860 and general law of the land. Discontent was brewing. Liberal democratic and revolutionary ideas (set in motion by American war of Independence, French Revolution and Thinkers like Rousseau & Marks etc.) of the time fanned the discontentment which was a smoldering since long and gave birth to an institution known as "trade union."

14.2 DEFINITION OF TRADE UNION

According to Webbs, a trade union is a continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives. Under the Trade Union Act of 1926, the term is defined as "any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workers and employers, or for imposing restrictive conditions on the condition of any trade or business and includes any federation of two or more unions". Let us examine the definition in parts.

l) Trade union is an association either of employees or employers or of independent workers.

2) It is a relatively permanent formation of workers. It is not a temporary or casual combination of workers.

3) It is formed for securing certain economic (like better wages, better working and living conditions), social (such as educational, recreational, medical, respect for individual) benefits to members. Collective strength offers a sort of insurance cover to members to fight against irrational, arbitrary and illegal actions of employers. Members can share their feelings, exchange notes and fight the employer quite effectively whenever he goes off the track.

A more recent and non-legislative definition of a union is "an organisation of workers acting collectively who seek to protect and promote their mutual interests through collective bargaining" (De Cenzo & Robbins, 1993).

14.3 FORMATIVE STAGES OF TRADE UNION

Trade Union has to pass through a very difficult and hostile period in the initial years. The employers wanted to crush them with iron hands. Then came the period of agitation and occasional acceptance. When the union gained strength they started confronting with the employer. This is period of struggle which continued for long. Employers were forced to accommodate, tolerate and hesitatingly accept them. Then came the period of understanding and industry in collective bargaining. This was followed by fraternal stage where union became matured and employers started consulting them. The desired state is the "Fusion Stage" in which joint efforts were required to be made for union management co-operation and partnership.

14.4 FORMS OF TRADE UNIONS

There are three forms of trade unions:

1) **Classical:** A trade union's main objective is to collectively protect the interests of its members in given socio-economic-political system. Trade Unions are the expressions of the needs, aspirations and wishes of the working class.

2) **Neo-classical:** It goes beyond classical objectives and tries to improve up other wider issues like tax-reliefs, raising saving rates etc.
3) **Revolutionary:** Change in the system. Establishing the rule of working class even through violence and use of force etc.

14.5 FUNCTIONS OF TRADE UNIONS

Functions of trade unions are:

a) **Militant or protective or intra-mutual functions:** These functions include protecting the workers' interests, i.e., hike in wages, providing more benefits, job security, etc., through collective bargaining and direct action such as strikes, gheraos, etc.
b) **Fraternal or extramural functions:** These functions include providing financial and non-financial assistance to workers during the periods of strikes and lock outs, extension of medical facilities during slackness and causalities, provision of education, recreation, recreational and housing facilities, provision of social and religious benefits, etc.
c) **Political functions:** These functions include affiliating the union with a political party, helping the political party in enrolling members, collecting donations, seeking the help of political parties during the periods of strikes and lockouts.
d) **Social functions:** These functions include carrying out social service activities discharging social responsibilities through various sections of the society like educating the customers.

14.6 OBJECTIVES OF TRADE UNIONS

Unions concentrate their attention to achieve the following objectives:

a) **Wages and Salaries:** The subject which drew the major attention of the trade unions is wages and salaries. Of course, this item may be related to policy matters. However, differences may arise in the process of their implementation. In the case of unorganised sector the trade union plays a crucial role in bargaining the pay scales.
b) **Working Conditions:** Trade unions with a view to safeguard the health of workers demands the management to provide all the basic facilities such as, lighting and ventilation, sanitation, rest rooms, safety equipment while discharging hazardous duties, drinking, refreshment, minimum working hours, leave and rest, holidays with pay, job satisfaction, social security benefits and other welfare measures.
c) **Discipline:** Trade unions not only conduct negotiations in respect of the items with which their working conditions may be improved but also protect the workers from the clutches of management whenever workers become the victims of management's unilateral acts and disciplinary policies. This victimisation may take the form of penal transfers, suspensions, dismissals, etc. In such a situation the seperated worker who is left in a helpless condition may approach the tradeunion. Ultimately the problem may be brought to the notice of management bytrade union and it explains about the injustice met out to an individual worker and fights the management for justice. Thus, the victimised worker may be protected by the trade union.

d) **Personnel Policies:** Trade unions may fight against improper implementation of personnel policies in respect of recruitment, selection, promotions, transfers, training, etc.

e) **Welfare:** As stated earlier, trade unions are meant for the welfare of workers.Trade union works as a guide, consulting authority and cooperates in overcoming the personnel problems of workers. It may bring to the notice of management, through collective bargaining meetings, the difficulties of workers in respect of sanitation, hospitals, quarters, schools and colleges for their children's cultural and social problems.

f) **Employee-employer relation:** Harmonious relations between the employees and employer is a *sine quo non* for industrial peace. A trade union always strives for achieving this objective. However, the bureaucratic attitude and unilateral thinking of management may lead to conflicts in the organisation which ultimately disrupt the relations between the workers and management. Trade union, being the representative of all the workers, may carry out continuous negotiations with the management with a view to promote industrial peace.

g) **Negotiating machinery:** Negotiations include the proposals made by one party and the counter proposals of the other party. This process continues until the parties reach an agreement. Thus, negotiations are based on 'give and take' principle. Trade union being a party for negotiations, protects the interests of workers through collective bargaining. Thus, the trade union works as the negotiating machinery.

h) **Safeguarding organisational health and the interest of the industry:** Organisational health can be diagnosed by methods evolved for grievance redressal and techniques adopted to reduce the rate of absenteeism and labour turnover and to improve the employee relations. Trade unions by their effective working may achieve employee satisfaction. Thus, trade unions help in reducing the rate of absenteeism, labour turnover and developing systematic grievance settlement procedures leading to harmonious industrial relations. Trade unions can thus contribute to the improvements in level of production and productivity, discipline and improve quality of work life.

14.7 ROLE OF TRADE UNIONS

Adopting the model of Prof. Clark Kerr unions assume the following roles:

a) ***Sectional Bargainer:*** Interests of the workers at plant, industry, national level multiplicity of unions, Crafts Unions, white Collar Union etc.

b) ***Class Bargainer:*** Unions representing the interest of the class as whole as inFrance Agricultural Unions, Federations of unions, Civil Servants Union.

c) ***Agents of State:*** As in U.S.S.R., ensuring targets of production at fixed price. In1974 Railway strike, INTUC stood behind Government and its agent.

d) ***Partners in Social Control:*** Co-determinator in Germany. Also, some examples are found in Holland, France, Italy and Sweden; some half-hearted attempts are being made in India also.

e) Unions role which can be termed as ***enemies of economic systems***, driven by political ideologies than business compulsions. Leftist unions

want to change the fundamental structure of economy and want to have control over it. Therefore, they encourage high wages, high bonus etc. without any consideration for thehealth of the economy.f) ***Business Oriented Role:*** Here unions consider the interests of the organisation along with workers. They think that their members fate is inextricably linked with that of organisation and they swim or sink together.

g) ***Unions as Change Agent:*** Lead the changes than to be led by them and thus, performing the pioneering role.

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14.8 CLASSIFICATION OF TRADE UNIONS

Classification of trade unions is based upon ideology, trade and agreement.

Classification based on ideology

a) ***Revolutionary Unions:*** Believe in destruction of existing social/economic order and creation of a new one. They want shift in power and authority and use of force - Left Unions.

b) ***Reformist or Welfare Unions:*** Work for changes and reforms within existing socio-political framework of society - European Model.

c) ***Uplift Unions:*** Advocate extensive reforms well beyond the area of working condition i.e., change in taxation system, elimination of poverty etc.

Classification based on trade

a) Many unions have memberships and jurisdictions based on the trades they represent. The most narrow in membership is the craft union, which represents only members certified in a given craft or trade, such as pipe fitting, carpentry, and clerical work. Although very common in the western world, craft unions are not common in countries like India and Sri Lanka.

b) At the other extreme in terms of the range of workers represented in the general union, which has members drawn from all trades. Most unions in India and Sri Lanka are in this category.

c) Another common delineation of unions based on trades or crafts is that between socalled blue-collar workers and white-collar workers. Unions representing workers employed on the production floor, or outdoor trades such as in construction work, are called blue-collar unions. In contrast, those employees in shops and offices and who are not in management grades and perform clerical and allied functions are called white-collar workers.

d) In addition, trade unions may be categorised on the basis of the industry in which they are employed. Examples of these are workers engaged in agriculture of forestry: hence agricultural labour unions or forest worker unions.

Classification based on agreement

Another basis on which labour agreements are sometimes distinguished is on basis of the type of agreement involved, based on the degree to which membership in the union is a condition of employment. These are:

a) ***Closed Shop:*** Where management and union agree that the union would have sole responsibility and authority for the recruitment of workers, it is called a Closed Shop agreement. The worker joins the union to become an employee ofthe shop. The Taft-Hartley Act of 1947 bans closed shop agreements in the USA, although they still exist in the construction and printing trades. Sometimes, the closed shop is also called the 'Hiring Hall.'

b) ***Union Shop:*** Where there is an agreement that all new recruits must join the union within a fixed period after employment it is called a union shop. In the USA where some states are declared to be 'right-to-work'.

c) ***Preferential Shop:*** When a Union member is given preference in filling a vacancy, such an agreement is called Preferential Shop.

d) ***Maintenance Shop:*** In this type of arrangement no compulsory membership in the union before or after recruitment exists. However, if the employee chooses to become a member after recruitment, his membership remains compulsory right throughout his tenure of employment with that particular employer. This is called a maintenance of membership shop or maintenance shop.

e) ***Agency Shop:*** In terms of the agreement between management and the union a non union member has to pay the union a sum equivalent to a member's subscription in order to continue employment with the employer. This is called an agency shop.

f) ***Open Shop:*** Membership in a union is in no way compulsory or obligatory either before or after recruitment. In such organisations, sometimes there is no union at all. This is least desirable form for unions. This is referred to as an open shop.

The above classifications are more usual in the west than on the Indian sub-continent.

14.9 THEORIES OF TRADE UNIONISM

There is no one theory of Trade Unionism, but many contributors to these theories are revolutionaries like Marx and Engels, Civil servants like Sydney Webb, academics like Common and Hoxie and labour leader like Mitchall. Important theories of trade unionism are as follows.

a) **Political Revolutionary Theory of Labour Movement of Marx and Engels:** This theory is based on Adam Smiths theory of labour value. Its short run purpose is to eliminate competition among labour, and the ultimate purpose is to overthrow capitalist businessman. Trade union is pure simple a class struggle, and proletarians have nothing to lose but their chains and they a world to win.

b) **Webbs Theory of Industrial Democracy:** Webb's book 'Industrial democracy' is the Bible of trade unionism. According to Webb, trade unionism is an extension of democracy from political sphere to industrial sphere. Webb agreed with Marx that trade unionism is a class struggle and modern capitalist state is a transitional phase which will lead to democratic socialism. He considered collective bargaining as the process which strengthens labour.

c) **Cole's Theory of Union Control of Industry:** Cole's views are given in his book "World of Labour" 1913. His views are somewhere in between Webb and Marx. He agrees that unionism is class struggle and the ultimate is the control of industry by labour and not revolution as predicted by Marx.

d) **Common's Environment Theory:** He was skeptical of generalisations and believed only that which could be proved by evidence. He agreed that collective bargaining was an instrument of class struggle, but he summarised that ultimately there will be partnership between employers and employees.

e) **Mitchell's Economic Protection Theory of Trade Unionism:** Mitchell, a labour leader, completely rejected individual bargaining. According to him unions afford economic protection to.

f) **Simons Theory of Monopolistic, anti-Democratic Trade Unionism:** He denounced trade unionism as monopoly founded on violence. And he claimed monopoly power has no use save abuse.

g) **Perlman's Theory of the "Scarcity Consciousness" of Manual Workers:** He rejected the idea of class consciousness as an explanation for the origin of the trade union movement but substituted it with what he called job consciousness.According to him, 'working people in reality felt an urge towards collective control of their employment opportunities, but hardly towards similar control of industry.' Perlman observed that three dominant factors emerged from the rich historical data:

   i) the capacity or incapacity of the capitalist system to survive as a ruling group in the face of revolutionary attacks (e.g., failure in Russia).
   ii) the source of the anti-capitalist influences being primarily from among the intellectuals in any society.
   i) the most vital factor in the labour situation was the trade union movement.

   Trade unionism, which is essentially pragmatic, struggles constantly not only against the employers for an enlarged opportunity measure in income, security and liberty in the shop and industry, but struggles also, whether consciously or unconsciously, actively or passively, against the intellectual who would frame its programmes and shape its policies.

   But Perlman also felt that a theory of the labour movement should include a theory of the psychology of the labouring man. For instance, there was a historical continuity between the guilds and trade unions, through their common fundamental psychology; the psychology of seeking a livelihood in the face of limited economic opportunity. It was when manual workers became aware of a scarcity of opportunity, that they banded together into unions for the purpose of protecting their jobs and distributing employment opportunities among themselves equitably, and to subordinate the interests of the individual to the whole labour organism. Unionism was ruled thus by this fundamental scarcity consciousness (Perlman, 1970).

h) **Hoxies Functional Classification of Unionism:** He classified Unionism on the basis of their functions. His classification were Business Unionism for protecting the interest of various craftmen, "Uplift unionism" for the purpose of contributing better life such as association of sales engineers etc. "Revolutionary Unionism" which is eager to replace existing social order, "Predatory Unionism" which rests on these support of others.

i) **Tannenbaum's Theory of Man Vs. Machine:** According to him Union is formed in reaction to alienation and loss of community in an individualistic and unfeeling society. In his words, the union returns to the workers his society, which he left behind him when he migrated from a rural background to the anonymity of an urban industrial location. The union gives the worker a fellowship and a value system that he shares with others like him. Institutionally,the trade union movement is an unconscious effort to harness the drift of our time and reorganise it around the cohesive identity that men working together always achieve.

14.10 GROWTH OF TRADE UNION MOVEMENT AND MEMBERSHIP IN INDIA

Trade unions in India, as in most other countries, have been the natural outcome the modem factory system. The development of trade unionism in India has chequered history and a stormy career.

Early Period

Efforts towards organising the workers for their welfare were made, during the early period of industrial development by social workers, philanthropists and other religious leaders mostly on humanitarian grounds. The first Factories Act, 1881, was passed onthe basis of the recommendations of the Bombay Factory Commission, 1875. Due tothe limitations of the Act, the workers in Bombay Textile Industry under the leadership of N M Lokhande demanded reduced of hours of work, weekly rest days, mid-day recess and compensation for injuries. Bombay Mill owners' Association conceded the demand for weekly holiday. Consequently, Lokhande established the first Workers' Union in India in 1890 in the name of Bombay Mill hands Association. A labour journal called "Dinabandu" was also published.

Some of the important unions established during the period are: Amalgamated Society of Railway Servants of India and Burma (1897), Management the Printers Union, Calcutta (1905) and the Bombay Postal Union (1907), the Kamgar HitavardhakSabha (1910) and the Social Service League (1910). But these unions were treated as ad hoc bodies and could not serve the purpose of trade unions.

Modest Beginning

The beginning of the Labour movement in the modest sense started after the outbreak of World War I in the country. Economic, political and social conditions of the day influenced the growth of trade union movement in India. Establishment of International Labour Organisation in 1919 helped the formation of trade unions in the country. Madras Labour Union was formed on systematic lines in 1919. A number of trade unions were established between 1919 and 1923. Categorywise unions, like Spinners' Union and Weavers' Union, came into existence in Ahmedabad under the inspiration of Mahatma Gandhi. These unions were later federated into an industrial union known as Ahmedabad Textile Labour Association. This union has been formed on systematic lines and has been functioning on sound lines based on the Gandhian Philosophy of mutual trust, collaboration and non-violence.

All India Trade Union Congress

The most important year in the history of Indian Trade Union movement is 1914 when the All India Trade Union Congress (AITUC) was formed consequent upon the necessity of electing delegates for the International Labour Organisation (ILO). Thisis the first all India trade union in the country. The first meeting of the AlTUC was held in October, 1914 at Bombay (now Mumbai) under the presidentship of Lala Lajpat Rai. The formation of AlTUC led to the establishment of All India Railwaymen's Federation (AIRF) IN 1922. Many Company Railway Unions were affiliated to it. Signs of militant tendency and revolutionary ideas were apparent during this period.

a) **Period of splits and mergers:** The splinter group of AITUC formed All IndiaTrade Union Federation (AlTUF) in 1929. Another split by the communists in1931 led to the formation of All India Red Trade Union Congress. Thus, splits were more common during the period. However, efforts were made by the Railway Federation to bring unity within the AITUC unity. These efforts didbear fruit and All India Red Trade Union Congress was dissolved. Added to this, All India Trade Union Federation also merged with AITUC. The unified AITUC's convention was held in 1940 in Nagpur. But the unity did not last long. The World Was II brought splits in the AITUC. There were two groups in theAITUC, one supporting the war while the other opposing it. the supporting group established its own central organisation called the Indian Federation of Labour.

A further split took place in 1947, when the top leaders of the Indian NationalCongress formed another central organisation.

b) **Indian National Trade Union Congress:** The efforts of Indian National Congress resulted in the establishment of Indian National Trade Union Congress (INTUC) by bringing the split in the AITUC, INTUC started gaining membership right from the beginning.c) **Other Central Unions:** Socialists separated from AITUC had formed Hind Mazdoor Sabha (HMS) in 1948. The Indian Federation of Labour merged with the HMS, Radicals formed another union under the name of United Trade Union Congress in 1949. Thus, the trade union movement in the country was split into four distinct central unions during the short span of 1946 to 1949.

Some other central unions were also formed. They were Bharatiya Mazdoor Sangh (BMS) in 1955, the Hind Mazdoor Panchayat (HMP) in 1965 and the Centre of Indian Trade Unions (CITU) in 1970. Thus, splinter group of INTUC formed Union Trade Union Congress, the split in the Congress Party in 1969 resulted in the split in INTUC and let to the formation of National Labour Organisation (NLO).

There are over 9,000 trade unions in the country, including unregistered unions and more than 70 federations and confederations registered under the Trade Unions Act,1926. The degree of unionism is fairly high in organised industrial sector. It is negligible in the agricultural and unorganised sectors.

Though the number of unions has greatly increased in the last four decades, the union membership per union has not kept pace. The National commission on labour has stated that only 131 unions had a membership of over 5,000. More than 70% of the unions had a membership of below 500. Over the years the average membership figures per union have fallen steadily from about 1387 in 1943 to 632 in 1992-93 (Pocket Book of Labour Statistics, 1997). Unions with a membership of over 1400 constitute roughly 4 per cent of the total unions in the country.

There is a high degree of unionisation (varying from 30% to over 70%) in coal, cotton, textiles, iron and steel, railways, cement, banking, insurance, ports and docks and tobacco sector. White-collar unions have also increased significantly covering officers, senior executives, managers, civil servants, self employed professions like doctors, lawyers, traders, etc. for safeguarding their interest.

There are as many as 10 central trade union organisations in the country (as against one or two in UK, Japan, USA). The criteria for recognition as Central Trade Union has been that the combined strength should be 5 lacs numbers with a spread over to at least 4 states and 4 industries as on 31.12.89. Ten such Trade Unions are; (1) BMS(2) INTUC (3) HMS, (4) U.T.U.C - LS (5) AITUC (6) CITUC (7) NLO (8) UTUC (9) TUCC (10) NFITU. As per one survey (Economic Times, 24.9.97) the five leading Trade Unions' strength are as follows:

Box 1 Trade Union Strength

Trade Union		*Strength*
BMS	-	331 Lakhs
INTUC	-	271 Lakhs
AITUC	-	18 Lakhs
HMS	-	15 Lakhs
CITU	-	3.4 Lakhs

14.11 TRADE UNION ACT, 1926

The Trade Union Act, 1926 legalises the formation of trade unions by allowing employee to form trade union. It allows trade union to get registered under the act.

Registration provides legal status to the trade union and it becomes body corporate. Itcan hold moveable and immoveable property and can enter into contract and can sue and can be sued. The act also provides immunities to the unions from civil and criminal prosecution for bonafidy trade union activities. Union can generate General fund for day-to-day activities and Political fund for political activities. For details refer the Act.

14.12 RECOGNITION OF TRADE UNION

The underline idea of former trade union is to negotiate and bargain with employers to improve the service and employment conditions of workers on their behalf. This collective bargaining process can be possible only when employer recognises a trade union as bargaining agent and agree to negotiate with it because it is difficult to negotiate with multiple trade unions in a single organisation.

The Trade Union Act, 1926, the only Central Law, which regulates the working of the unions does not have any provision for recognition of trade union. Some attemptswere made to include compulsory recognition in the Trade Union Act in 1947, 1950,1978 and 1988, but it could not be materialised.

There are, however, state legislations like Maharashtra Recognition of Trade Union and Prevention of Unfair Labour Practices Act 1971, Madhya Pradesh Industrial Relations Act, 1960 and other states like Gujarat, Andhra Pradesh and Orrisa etc. which have gone for such legislations, of late.

The usual methods used to determine union strength, which is the basis of the recognitions are following:

1) **Election by Secret Ballot:** Under which system, all eligible workers of an establishment may vote for their chosen union, elections to be conducted by a neutral agent, generally the Registrar of Unions, in a manner very similar to the conduct of general elections. Once held, the results of the elections would remain valid for a minimum period, usually two years.
2) **Check-Off method:** Under which each individual worker authorises management in writing to deduct union fees from his wages and credit it to the chosen union. This gives management concrete evidene about the respective strengths of the unions. But the system is also prone to manipulation, particularly collision between management and a favoured union. Sometimes, genuine mistakes may occur, particularly when the number of employees is large. It also depends on all unions accepting the method and cooperating in itsimplementation.
3) **Verifiction** of union membership method by the labour directorate as adopted as a resolution in the same session of the ILC and used widely in many establishments. This process is carried out by the labour directorate, which on the invitation of unions and management of an organisation or industry, collects particulars of all unions in a plant, with regard to their registration and membership. The claim lists of the

unions, their fees books, membership records and account books are scrutinised for duplicate membership. Under a later amendment, unions also with lists of members in order to avoid dual membership. After cross checking of records, physical sampling of workers, particularly in cases of doubt or duplication, a final verified list is prepared for employers, unions and the government.

4) **Rule of Thumb** or intelligent guessing by management or general observation to assess union strength, either by the response at gate meetings, strikes or discussions with employees. This is not a reliablemethod, particularly in large estalishments and can also be subject to change atshort intervals.Of the above methods the first one is universally accepted method used all over the world but there has been no consensus amount among the trade unions on that in India.

The Second National Commission of Labour considered the issues seriously and made the following recommendations:

1) We recommend that the negotiating agent should be selected for recognition onthe basis of the check off system. A union with 66% membership be entitled to be accepted as the single negotiating agent, and if no union has 66% support, then unions that have the support of more than 25% should be given proportionate representation on the negotiating college.
2) Secret ballot is logically and financially a difficult process in certain industries.

Check-off system has the advantage of ascertaining the relative strength of trade unions. Check-off system should be made compulsory for all establishments employing 300 or more workers. For establishments employing less than 300 workers also the check-off system would be the preferred mode. Recognition once granted, should be valid for a period of four years, to be coterminous with the period of settlement.

14.13 RIGHTS OF RECOGNISED UNIONS

Recognised unions have certain rights, which are as follows:

a) the right to raise issues with the management,
b) right to collect membership fees within the premises of the organisation,
c) ability to demand check-off facility,
d) ability to put up a notice board on the premises for union announcements,
e) ability to hold discussions with employees at a suitable place within the premises
f) right to discuss members'grievances with employer,
g) ability to inspect before hand a place of employment or work of its members, and
h) nomination of its representatives on committees formed by the management for industrial relations purposes as well as in statutory bipartite committees.

Multiplicity of trade unions create problems for both the employer and the trade unions. Therefore recognition of a trade union as negotiating agent is a business necessity. Sooner a central legislation is passed and industry and business houses start dealing with recognised unions, better it will be. Such a device is beneficial for both the employer and the trade unions. It provides

strength, it provides opportunity for understanding and mutual appreciation and thus, provides opportunity for a matured employer union relationship.

14.14 PROBLEMS CONFRONTING UNIONS AND MEASURES TO STRENGTHEN TRADE UNION MOVEMENT IN INDIA

Over the years, trade unions in India have been taken for a ride by outside, political leaders. In the process, the interests of workers and their aspirations have been totally neglected. The Trade Unions Act, 1926, did not go for recognising a representative union. As a result multiple unions have cropped up, often with blessings from management and outsiders. The union finances have not been very sound in the beginning. The average membership figures for each union remain poor and have not improved. The forces of liberalisation unleashed in early 90s have strengthened the hands of employers in closing down unviable units. The new corporate 'mantras'productivity, performance, efficiency, survival of the fittest have virtually pushed them to the wall-where their very survival looks uncertain. Let's recount the factors responsible for their ever-increasing woes and depreciated status thus as below:

a) ***Trade Union leadership:*** The nature of leadership significantly influences the union-management relations as the leadership is the lynch-pin of the management of trade unions. The leadership of most of the trade unions in India has been outside leadership mainly drawn from political parties.

Reasons for emergence of outside leadership: Outside leadership has been playing a pivotal role in Indian Trade Union Movement due to the inability of insiders to lead their movement. In view of low education standards and poor command over English language which is still the principal language of labour legislation and negotiations, low level of knowledge about labour legislation, unsound financial position, fear of victimisation by the employer and lack of leadership qualities-outside leaders have come to stay. The main reason for this trend is that the Trade Unions Act, 1926, itself provided the scope for outside leadership. Section 22 of the Act requires that ordinarily not less than half of the officers of the reregistered union shall be actively engaged or employed in an industry to which the union relates. Thus, this provision provides the scope for outsiders to the tune of 50% of the office bearers. The Royal Commission of Labour (RCI) 1931, recommended for the reduction of the statutory limit of outsiders from 1/2 to 1/3 but no efforts were taken in this direction.

The evil effects of outside leadership: The evil effects of outside leadership analysed by National Commission on Labour are as follows:

1) Outside leadership undermined the purposes of Trade Unions and weakened their authority. Personal benefits and prejudices sometimes weighed more than unions.
2) Outside leadership has been responsible for the slow growth of Trade Unions.
3) Internal leadership has not been developed fully.
4) Most of the leaders cannot understand the worker' problems as they do not live the life of a worker.

Even though outside leadership is permissible in the initial stages it is undesirable in the long run because of many evils associated with it. Political differences of leaders have been inhibiting the formation of one union in one industry. Most of the Trade Union leaders fulfil their personal aspirations with their knowledge and experience gained in the Trade Unions.

Measures to minimise the evil effects of outside leadership: In view of the limitations of outside leadership, it is desirable to replace the outside leaders progressively by the internal leaders. The National Commission on Labour, 1969, also stated that outsiders in the Trade Unions should be made redundant by forces from within rather than by legal means.

Both the management and trade unions should take steps in this direction. The steps may be:

- Management should assure that the victimisation will be at zero level, even if the trade unions are led by insiders;
- Extensive training facilities in the areas of leadership skills, management techniques and programmes should be provided to the workers;
- Special leave should be sanctioned to the office bearers. Union rivalry has been the result of the following factors:

1) The desire of political parties to have their basis among the industrial workers;
2) Person-cum-factional politics of the local union leader;
3) Domination of unions by outside leaders;
4) Attitude and policies of the management, i.e., divide and rule policy; and
5) The weak legal framework of trade unions.

Measures to minimise union rivalry: In view of the evil effects of inter-union rivalry and the problem of formation of one union in one industry, it may be necessary to consider the recommendations of National Commission on Labour, 1969. The recommendations of NCL to minimise union rivalry are:

- Elimination of party politics and outsiders through building up of internal leaders;
- Promotion of collective bargaining through recognition of sole bargaining agents;
- Improving the system of union recognition;
- Encouraging union security; and
- Empowering labour courts to settle inter-union disputes if they are not settled within the organisation.

b) ***Multiple unions:*** Multiple unionism both at the plant and industry levels pose a serious threat to industrial peace and harmony in India. The situation of multiple unions is said to prevail when two or more unions in the same plant or industry try to assert rival claims over each other and function with overlapping jurisdiction. The multiple unions exist due to the existence of craft unions, formations of two or more unions in the industry. Multiple unionism is not a phenomenon unique to India. It exists even in advance countries like UK and USA. Multiple unionism affects the industrial relations system both positively and negatively. It is sometimes desirable for the healthy and democratic health of labour

movement. It encourages a healthy competition and acts as a check to the adoption of undemocratic practice, authoritative structure and autocratic leadership. However, the negative impacts of multiple unions dominate the positive impacts. The nature of competition tends to convert itself into a sense of unfair competition resulting in inter-union rivalry. The rivalry destroys the feeling of mutual trust and cooperation among leadership. It is a major cause forweakening the Trade Union Movement in India. Multiple unionism also results in small size of the unions, poor finances, etc.

c) ***Union Rivalry:*** The formal basis for Trade Union Organisation is provided by the Indian Trade Union Act, 1926. The relevant article reads as follows:"Any seven or more members of a trade union may be subscribing their name to the roles of the trade union and by otherwise complying with the provisions of this act with respect to the registration, apply for registration of the trade union under this Act."

This provision has led to the formation of multiple unions and resulted in inter- union rivalry in different industries. But the inter-union rivalry breaks the very purpose of the trade unions by weakening the strength of collective bargaining. On the other hand, the existence of a single, strong union not only protects the employee interests more effectively but also halts the various unproductive activities of the unions and forces the leaders to concentrate on the strategic issues. Further, it helps to bring about congenial industrial relations by bringing about a system of orderliness in dealing with the employees and by facilitating expeditious settlement of disputes.

The state of rivalry between two groups of the same union is said to be inter union rivalry. Inter and intra-union rivalries have been a potent cause of industrial disputes in the country. They are responsible for weal bargainingpower of trade unions in collective bargaining. These rivalries are responsible for slow growth of trade union movement in the country.

d) ***Finance:*** Sound financial position is an essential ingredient for the effective functioning of trade unions, because in the process of rendering services or fulfilling their goals, trade unions have to perform a variety of functions and organise programmes which require enormous financial commitments. Hence, it is imperative on the part of a trade union to strengthen its financial position.

But it is felt that the income and expenditure of trade unions in India over the years is such, with few exceptions, that the financial position of the union is generally weak, affecting their functioning. It is opined that, "trade unions could be more effective, if they paid more attention to strengthening their organisations and achieving higher attention of financial solvency."

The primary source of income to the unions is membership subscription. Their other sources of union finances are donations, sale of periodicals, etc. The items of expenditure include: allowances to office bearers, salaries to office, annual convention/meeting expenses, rents, stationery, printing, postage, telegrams, etc.

Most of the trade unions in India suffer from inadequate funds. This unsound financial position is mostly due to low membership and low rate

of membership fee. Trade Union Act, 1926, prescribed the membership fee at 25 paise per member per month. But the National Commission on Labour recommended the increase of rate of membership subscription from 25 paise to Re. 1 in the year 1990. But the Government did not accept this recommendation.

As the National Commission on Labour observes, " an important factor limiting the effective functioning of unions in our country has been their fmancial weakness.. In most unions, poor finances are the result of inadequate membership strength. This in turn, can be traced to the small size of units. In a majority of unions, the rate of contributions required of members is also small. With a relatively low rte of unionisation, total funds collected are small. The general picture of finances of unions is disappointing."

e) ***Low membership:*** The average membership figures of each union are quite depressing. In 1992-93 the average membership figure was 632, a steady fall from 3,594 per union from 1927-28. "Because of their small size, unions suffer from lack of adequate funds and find it difficult to engage the services of experts to aid and advise members in times of need'. They can't bargain with the employer effectively on their own.

f) ***Heterogeneous nature of labour:*** Since workers come to the factory with varying backgrounds, it is difficult for them to put a joint front in case of trouble. Employers exploit the situation, under the circumstances, by dividing workers on the basis of race, religion, language, caste, etc.

g) ***Lack of Interest:*** For a large majority of workers, unionism even today remains a foreign issue. In fact, workers avoid union activities out of sheer disinterestedness. Those who become part of the union, do not also participate in the union work enthusiastically. In such a scenario, it is not surprising to find outside political leaders exploiting the situation serve their own personal agenda.

h) ***Absence of paid office bearers:*** Weak finances do not permit unions to engage the services of full time, paid office bearers. Union activists, who work on a part time basis, neither have the time nor the energy to take up union activities sincerely and diligently.

i) ***Other problems:*** The other factors responsible for the unsound functioning of trade unions in India are:

1) **Illiteracy:** Workers in India fail to understand the implications of modern trade unionism. Their illiteracy coupled with ignorance and indifference account for the predominance of outside leadership.

2) **Uneven growth:** Trade unionism activities are, more or less, confined to major metros in India and traceable only in large scale units (especially cotton textile.

The membership fees should be raised as the amount of wages of the workers increased significantly, compared to the situation in 1926 when Trade Union Act provided for the collection of 25 paise per month per member as subscription fee.

Even amended Rs.l/- is not sufficient. Some other source of finance may also explored to make trade union financially healthy.

Other Measures

- Trade unions should extend welfare measures to the members and actively pursue social responsibilities. Social responsibility of Trade Unions should go beyond their limited constituency within members only.
- The Trade Union Act, 1926 should be amended and the number of members required to form a trade union should be increased from 7 to 50% of the employees of an organisation. Similarly, the scope for the outside leadership should be reduced from 50% to about 10%. The membership subscription should be enhanced from 25 paise to 1 % of the monthly wage of the worker.
- Trade Unions should make efforts to raise their declining membership which is world over phenomenon.

Table 2: Declining Membership

Country	Membership % and year	Decline membership and year
Japan	50% in 1950	25% in 1991
U.S.A	30% in 1959	16% in 1989

- Trade Union must broaden their base membership in unorganised sectors, which constitute about 92% of workforce and IT sectors/BPO/Call Centres where most of the employment is coming attracting and retaining new bread of workers by monitoring them.
- Trade Unions must reorient themselves:
  - From political/ideology obsession to Business Union - Partners in progress, sharing the gains.
  - Protesting organisation to Partnering organisation
  - Bureaucratic organisation to democratic and service organisation
  - Complacency to struggle
  - Power-hunger to service orientation.
- Trade Unions should be smart, IT savvy on-line working to have connectivity to employees abroad as also International Trade Unions and other Trade bodies.
- Trade Unions have to adapt to new realities in new business environment. "The simple notion of solidarity is now outdated, a narrow concept to encompass the mutual support of those whose positions and interests are different." (Zoll -
- 1996). Solidarity concept is getting diluted because of diversities in work force and increasing individualization industry). The degree of unionism also varies from industry to industry, varying between to 30-70 per cent in coal, cotton textiles, iron and steel, tobacco, railways, cement, banking, insurance, ports and docks, etc. The degree of unionism is quite negligible in the agricultural and unorganised sector.

Measures to strengthen Trade Union Movement in India

The following are some of the measures to minimise trade union problems and to strengthen the Trade Union Movement of India.

a) **United Labour Front**

Unions must put a joint front. Splinter groups multiple unions dissipate their energies, dilute their power and reduce their effectiveness. Trade unions should form a sort of labour party and all the trade unions in the country should be affiliated to it. It gives adequate strength to the trade unions both industry and Parliament.

b) **Efficient Leadership**

Outside political leadership has developed due to the absence of internal leadership. Outside leadership is the main cause for the multiple problems of the trade unions. These problems can be eradicated through the development of leadership talents from within. Management should encourage internal workers to lead their own movement. Management and trade unions should provide educational and training facilities for the development of internal leadership.

c) **Membership Fees**

In order to make members updated Trade unions must organise continuoustraining and developmental programmes. Future needs smart and responsive TradeUnions, if they have to survive and thrive.

d) The Trade Union Act should be **amended** in order to avoid dual membership.

e) There should be legal provision for the **recognition** of the representative union.

f) Unions should not intervene in day-to-day matters. They must focus on**important issues** affecting workers.

14.15 WHITE-COLLAR AND MANAGERIAL TRADE UNIONS

There was a time when unions and strikes were known only to Blue-collar workers in factories, mines, railways docks, etc. White-collar employees and professional people like doctors, engineers, lawyers, professors and senior executives and managerial staff thought it below their dignity to band themselves in unions, march the high streets, and yell slogans. Today it is different. Trade unions exist among most professionals, whitecollar employees, officers, senior executives, and managers, and so do strikesand gheraos.

Highly paid employees in banks, in the Life Insurance Corporation and in many other establishments are organised, and so the Central Government andsemi-government employees. They take recourse to strikes, mass casual leaves,work to rule, dharnas, and gheraos for securing their demand and thus creating some embarrassing problems for their employers/managements requiring serious consideration.

Both blue and white-collar workers are employees, but are of different status, and holding different positions at different levels. The differences between these two categories of unions are as summarised in the Table 3 below

Table 3: Differences between Blue and White Collar Workers

S.	Blue-Collar Worker	White Collar Worker

No.		
1.	All shop-floor workers (Part of production system who operate machines and related systems) are termed as blue-collar workers, as their work is not generally clean.	All clerical or office staff who do not work on the shop floor, are termed as white-collar workers as their work and working places are clean. They are generally involved in a desk job or providing service over the counter.
2.	They are manual workers with lower literacy and education, and have their own social and economic background.	They are non-manual workers forming a distinct social ground characterised by divergent socio-economic backgrounds, level of education, manner of speech, social custom and ideology. They are better educated and have jobs requiring mental capabilities to a greater extent.
3.	They may be paid by time, or by piece, or results, either on daily, or weekly, or fortnightly, or monthly basis. They are generally wage earners, and may have lesser holidays, and leave facilities and other privileges than white-collar workers.	They are time workers paid on monthly basis. They enjoy longer holidays and leave facilities and better privileges.
4.	They are not so inclined towards management. On the other hand, they may be caring for their unions than for the management.	They hold such jobs that they are regarded as part of the management, and so they are more inclined towards it than the blue-collar workers.
5.	Excepting highly skilled categories who are in greater demand and can manage to have higher wages income, the blue-collar workers are not so well paid. Their fringe benefits and perquisites are lower than that of white-collar	Because of their professional and social standing they are generally better paid and have better terms and conditions of employment, including better perquisites and fringe benefit.

6.	They have better union protection and job security by labour legislation, such as Industrial Disputes Act, 1947.	They have no union protection if they are not unionised, and also job security if they are not covered by the Industrial Disputes Act, 1947 as may be the case with not a few of them.
7.	They are mostly engaged in production processes.	They are concentrated in the fields of commerce, transport, storage and communication. They are engaged in different occupations that fall under the category of professional, administrative, executive and managerial workers, clerical and related workers, sales staff, technical, and supervisory and other workers, engaged in transport and Communication services, or in sports and recreational facilities, artists and musicians.
8.	They have no authority, and nor they associated with decision taking.	They are linked with their employers by being associated with that part of the productive process where authority is exercised and decisions are taken.

***Source*:** Industrial Relations, Arun Monappa, Tata McGraw Hill, New Delhi, 1985, pp.33-34

14.16 WHY WHITE COLLAR-WORKERS' UNIONS?

Seeing how unions of blue-collar workers had improved their service, employment and working conditions by bargaining collectively with their employers for better and regular payment of wages, bonus and other fringe benefits, and job and socialsecurity, whitecollar workers also started uniting and organising themselves and forming their unions for fighting for better pay scales, more fringe benefits, internal promotion by collective bargaining, agitation and litigation. Other factors responsible for the growth of white collar unionism are discussed below.

1) Denial of both Job Security and Social Security to them by their exclusion from the purview of labour laws like; Industrial Disputes Act, 1947, and Lawsrelating to wages, bonus and social security against such social risks as sickness, maternity, premature death, and permanent or temporary disabilities caused by accidents, old age and retirement.
2) Anomalies in pay caused by implementation of the recommendations of WageBoards and Pay Commissions.
3) Nationalisation and consequent rationalisation of pay and perquisites.
4) White and Blue collar workers unions are mostly registered under the Trade Unions Act, 1926 and are generally known as workers and

employees Unions, white-collar workers unions are registered either under the Trade Unions Act,1926, or under the Societies Registration Act, 1860, and are known as employees unions, or employees or staff associations. Since the immunity from civil and criminal prosecution is provided to unions, its members and office bearers for bona fide trade union activities under the Trade Unions Act, and as this is not specifically provided under the Societies Registration Act, 1860 the white-collar workers organisations registered as association under the latter Act have to be selective in using pressures for getting their demand met. They generally take recourse to mass casual leave, work to rule, peaceful demonstrations anddharnas, or hunger strike, rather than to strike, picketing and boisterous agitation and demonstration.

5) Members of white-collar unions are more educated, knowledgeable and intelligent, and, therefore, they are more capable in negotiating and bargaining for their demands. Their union leadership is, therefore, mostly internal or endogenous. As blue-collar workers are largely illiterate or low educated, the leadership is more external than internal, as they require the help of the outsiders in bargaining for them collectively and representing them in conciliation,arbitration and adjudication proceedings under the Industrial Disputes Act, 1947.
6) Financially and membership-wise white-collar unions are stronger than blue- collar unions. Small membership and poor finances make the latter more dependent on outside leadership and political parties for their day to day working, negotiations with employers, and conciliation and adjudication of their disputes. These outsiders may not work always entirely in the interest of workers. Increasing militancy of blue-collar unions could be attributed to some extend to their poor bargaining power and frustration.
7) White-collar unions suffer must less from multiplicity, politicalisation and outside leadership, and consequently from inter-union rivalries than the blue- collar unions. They, therefore, have better bargaining power and greater possibility of arriving at collective and bipartite agreements. Most of the whitecollar unions are independent, as they are not affiliated to central trade union organisations with different political ideologies. All India Federation of Railwaymen (AITUC), and National Federation of Indian Railwaymen (INTUC) are working more cohesively than as rivals. Similar is the case with All India Bank Employees Association and National Union of Bank Employees, they do not sacrifice the interests of their members for some political gains.
8) Lastly, some of the white-collar employees may be outside the purview of the Industrial Disputes Act, 1947, and so may have the problem of job security which their unions may have to look after. This may not be the problem with Blue-collar Unions as their members are almost covered by the I.D. Act, 1947.
9) Inconsistent and discriminatory promotion and salary policies which have been causing so many conflicts and disputes.
10) Gradual narrowing of wages and salaries differentials of blue and white-collar workers due to fast improvement in the wages and fringe benefits

of the former organization account of their union activities, and so causing feeling of deprivation among white-collar workers.

11) Inflation and soaring prices resulting in erosion of pay and standard living of whitecollar workers, and thus leading to demand for higher pay, dearness allowance and annual bonus and other fringe benefits. It is because of unions of the Government employees and public sectors undertakings who had been excluded from the purview of the Payment of Bonus Act, 1965, enabled them to receive now annual bonus worked out on the basis provided under this Act.

Distinguishing Features of White-Collar Unions

There are some noteworthy features of unions of white-collar workers which distinguish them from that of the blue-collar unions as stated briefly below:

a) **Managerial Association**

Managerial trade unionism is no longer a fiction, but is an established fact. Though this phenomenon is more than forty years old, it is yet to be considered as worthwhile to be concerned with either by the Government, or by the central bodies of trade unions, or by academicians. The Government could not enact a legislation concerning this aspect of trade unionism, or could not introduce some procedure for redressal of grievances of the managerial staff. The Central orgnisations of trade unions could have provided leadership or guidance for proper organisation of such unions. The academicians, if they had wished, could have attempted an in-depth study of managerial unionism and workshops. It is only the corporate managements who could not ignore this happening. In fact they are finding it difficult to develop working relations with their managers and other officers in the absence of any corporate or national policy on this subject.

b) **Nature of Managerial Association**

Hardly any organisation of managerial employees is a union. They are known as Officers' associations registered either under the Societies Registration Act, 1860, or under the Trade Unions Act, 1926. The officers do not like their association to be equated with a trade union, though many of their organisations are registered underthe Trade Unions Act, 1927. Some cases are also reported to be pending in the Courts, wherein the officers of certain oranisations are claiming that they are not managersbut workmen, and they should be given protection under the provisions of the Industrial Disputes Act, 1947. The purpose of managerial unions is not very much different from that of other trade unions for employees at different but lower levels in the hierarchy. The means and strategies may differ in the sense that the managerial unions are relatively soft in their wheelings and dealings than most of the blue-collar unions. The officers eligible for membership of such associations are below the level of Director. They may be from the rank of trainees and upward up to the rank of Deputy General Manager, and in some cases even the General Manager. It is the junior and middle level managers who provide leadership of these associations. These officers rise from the ranks, and as members of the non-executive cadre they may have had prolonged experience as members of trade unions, if not, as office-bearers.

In India, Managerial unionism is more in public sector than in private sector. Its lesser development in private sector may be due to the fact that most of the organisations in this sector are usually small, and, therefore, they are free from the cold andimpersonal atmosphere usually found in large bureaucratic organisations. In small organisations the problems and difficulties of the officers do not remain unattended. Such individualised attention is supposed to be missing in big public sector establishments. The other possible reason for slower growth of managerial trade unions in private sector may be that there employers are not willing to permit their officers to combine and form unions of their own.

The emergence of Officers Associations in the public sector is relatively a new happening, whereas these associations have existed in the banking industry and insurance companies for a fairly long time. In Western Europe officers are organised in almost all countries, and there also it predominates in the public sector. There the formation of such unions have been facilitated by the fact that demarcation between a workman and non-workman is not so rigid as in India, and there trade unions are alsonot so apathetic towards officers association as they are here in India. In fact there the unions want to bring officers unions under the banner of the existing trade unions.

Why Managerial Association

i) **Feeling of relative deprivation** has been an important reasons for the officers/ managers to organise themselves and form their associations for obtaining fair deal from their managements. There has been a feeling that as compared to unionised cadre of workmen and lower staff they have been getting a raw deal. They complain about narrowing wage differentials generally. It is after the management had negotiated a settlement with the unionised staff and a settlement is arrived at, the ad hoc increase in emoluments is given to them unilaterally, which is

usually less than the increase given emoluments of the junior officers and the wages of the senior workmen.

ii) **Feeling of insecurity** is another reason for the growth of officers unions. They do not have that enormous protection under the Industrial Disputes Act, 1947, which is enjoyed by the employees covered by this Act. They are left high and dry to fend for themselves. This has made them to realise the message of "unit and organise" to protect the interest of their membership through collective bargaining, a strategy of which efficacy has been demonstrated amply by the workmen and staff unions.

iii) **Growing harassment of managerial staff by their subordinates:** The authority of the managers has been grossly eroded by the unionised workmen and staff. They are making it difficult for the managers to take work from them by being emboldened by the support from their union and protection they enjoy from labour legislation. Under pressure of the unionised staff top management often fails to provide the required support to junior and middle level managers. Even whenever they are as-saulted by the workmen, the matters are hushed up for maintaining industrial peace. Managerial unions have been formed to pressurise top management to provide neces- sary protection against such harassment.

iv) **To be a Third Force between the Working Class and the Management:** Being denied the protection of labour laws, and as well as of the privilege of a real manager, the junior and middle level managers have gone for the only option left to them, that is, the formation of the Officers Association. They would not like to be considered as part and parcel of either of the working class or the management, but as a "third force" between these two groups.

14.17 EMPLOYERS' ASSOCIATION

Employers' Organisations (EOs) are "formal groups of employers set up to defend, represent or advise affiliated employers and to strengthen their position in society at large with respect to labour matters as distinct from economic matters. They may conclude collective agreements but this is not a formal rule and cannot be an element of their definition. Unlike trade unions, which are composed ofindividual persons, employers'organisations are composed of enterprises. Most legal definitions of a trade union apply to them. (Oechslin, 1990). The Trade Unions Act, 1926 includes in its purview, both associations of workers as well as employers.

EOs are mainly concerned with matters relating to a wide range of employment issues including industrial relations. Chambers of Commerce are usually set up to defend the economic interests of employers. However, in some countries such as the U.K., Norway and Jordan, for instance, the same organisation deals with both. In India, as we shall discuss latter, the former are set up by the latter. Also, sectoral associations such as Confederation of Indian Industry (till 1991 it was a sectoral association mainly confined to engineering industry) and United Planters' Association of south Indian perform a combined role defending the interest of employers' in both economic and labour matters.

Employers' Associations came into existence as a result of the formation of ILO and the growing presence of Trade Unions, especially after the First World War. The Royal Commission on Labour, 1929, recommended that the

Indian employers need and some other factors which influenced the formation of unions of managers, senior executives and other officers, are nationalisation and rationalisation of pay and perquisites, and anomalies in pay arising from the recommendations of Pay Commissions and Wage Boards and their implementation.

Objectives of EOs

The main objectives of EOs are similar though they may vary to an extent in matter of detail.

For organisations "to deal with labour problems from the employer's point of view". As rightly pointed out by Mr. Naval Tata, employers' organisations are required to:

- Develop healthy and stable industrial relations;
- Promote collective bargaining at different levels;
- Bring a unified employers' viewpoint on the issues of industrial relations to the government in a concerted manner; and
- Represent in the meetings of ILC and SLC boards in conformity with tripartite approach to labour matter.

Employers' Associations are formed to promote and protect interests of employers in Trade and industry. They are: "formal groups of employers set up to defend, represent or advise affiliated employers". They perform several important functions:

Primary Objectives

a) Promote and protect the interest of employers engaged in industry, trade andcommerce in India.
b) Study, analyse and disseminate information relating to labour policy, labour management relations, collective bargaining, etc.
c) Offer advice concerning various aspects of labour policy.
d) *Liaise* with Union Government and initiate steps that are representative and legislative in nature.

Secondary Objectives

a) Train and develop staff and members.
b) Obtain data on wages and conditions of work in industries attached to them.Come out with surveys, research-based reports on issues of importance to both labour and management.
c) Take up projects for social and family welfare.
d) Deal with safety and health at work place and working environment. e) Initiate steps to improve public image and improve public relations.
f) Educate the public regarding the character, scope, importance and needs of trade, industry and commerce represented by members.

Structure of EOs

At present EOs are organised at three levels :

a) ***Local Organisations:*** They serve the interests of local businessmen. The Bombay Mill Owners Association, for example, has been formed to protect the local interests of manufacturing units operating within the city. Such bodies operate through the local chambers of commerce.
b) ***Regional Organisations:*** The regional outfits such as Employers' Federation to South India, Employers'Association, Calcutta are affiliated to central employers organisation. They offer consultancy service; take care of training, safety and welfare measures on behalf of their members. They even have special committees for specific region or industry related problems.
c) ***Central Organisations:*** AIDE, EFI, AlMO operated as apex bodies governing the affairs of several regional, local associations. To have better coordination a super structure called the Council of Indian Employers was formed in 1956, bringing AIDE and EFI under one umbrella.

Different EOs in India

AlOE: The All India Organisation of Employers is a unitary type of organisation, setup in 1953; members hail from manufacturing, banking, insurance, commercial establishments; and has no sub-organisation on an industrial or geographical basis. The President is elected every year.

EFI: The Employers' Federation of India has a federal structure formed in 1933, it has governing body executive committee and the secretariat. The governing body formulates policies, the executive committee implements policies and the secretariat with its own permanent staff is responsible for carrying out the decisions of the governing body. It had only four presidents in over 50 years. EFI was registered as a trade union in 1963 under the Indian Trade Unions Act of 1926.

IOE: International Organisation of Employers, represents the interests of employers in all social and labour matters at the international level. Founded in1914 with headquarters in Geneva, it has a membership of Employers' Associations from over 100 countries. The Central Council of Indian Employers is a matter of IDE.**SCOPE:** The objectives of the Standing Conference of Public Enterprises cover a wider ambit. SCOPE looks upon its tasks as both internal and external to the public sector. Internally, it would endeavour to assist the public sector in such ways as would help improve its total performance. Externally, it would help improve its total boundary role in conveying such information and assist the public sector in such ways as

would help improve its total performance and advice to the community and the Government as would generally help the public sector in its role.

CIE: The main object in setting up the Council of Indian Employers was to ensure closer co-operation and coordination between the two bodies which together represent particularly the interests of large-scale industry in India. In the year 1973, the SCOPE joined the CIE.

The CIE, with its headquarters in the office of the AlOE in Delhi, consists of equal number of representatives of the AlOE, EFI and SCOPE. Its principal functions are: (i) to discuss generally problems confronting Indian employers, with particular reference to matters coming up before the ILO Conferences and various Industrial Committees and to formulate, from time to time, the policy and attitude of Indian employers in the matter of collaboration with employers of other countries; (ii) to furnish and exchange information on problems relating to industrial relations with employers of other countries; (iii) to maintain a close contact with the International Organisation of Employers (IOE) with a view to study international trends in the employer-employee relations and to keep the two parties informed of such matters; and, (iv) to select the personnel of the Indian Employers' Delegation to the various Conference and Committees of the ILO.

The same point was emphasised differently in the list of objectives. To mention a few: (i) to take all steps which may be necessary to promoting, supporting or opposing legislative and other measures affecting or likely to affect directly or indirectly, industry, trade and commerce in general, or particular interest; (ii) to take all possible steps for counteracting activities inimical to industry, trade and commerce of the country; (iii) to promote and protect the interests of employers engaged in industry, trade and commerce in India.

The principal objectives relating to the industrial relations aspects include: (i) to encourage the formation of EOs and to foster cooperation between EOs in India and abroad; (ii) to nominate delegates and advisers, etc., representing Indian employers at the International Labour Conference, International Chamber of Commerce and other Conferences and Committees affecting the interests of trade, commerce and industry, whether as employers or otherwise; (iii) to promote and support all well considered schemes for the general uplift of the labour and to take all steps to establish harmonious relations between capital and labour; (iv) to educate the public with regard to the character, scope, importance and needs of industry, trade and commerce represented by the Members.

The rules and regulations of the AlOE thus seem to provide for trade related activities as well, though the preoccupation of the AlOE has always been in influencing labour policy and legislation and disseminating information and news to members.

Amalgamation of EOs

During the pre-independence era industry, trade and employer associations were divided on the basis of Swadeshi vs. Foreign, large vs. small, and to an extend on regional basis. After independence the indigenous private industrialists bean to train their guns against public sector which had witnessed a rapid growth (at least until1990s when privatisation is becoming the "in-thing"). The small and medium sectors have formed their own

associations. There is also a plethora of sectoral associations.With the proliferation of EOs the need for their unification began to find expression. After several initiatives and meetings, it was in 1956 that a super structure called the Council of Indian Employers (CIE), was formed to bring the AlOE and EFI, the two national level EOs together under one umbrella.

Statutory Protection of EOs in India

EOs could be registered in any of the following legal forms: The Trade Unions Act,1926; the Indian Companies Act, 1956; or the Societies Act, 1860. The AlOE remained a registered body till 1969 when it was registered under the Indian Trade Unions Act. The EFI came into being in March, 1933 as a company under the Indian Unions Act. A quarter century later, it was reorganised as an unregistered Association, a position which continued till 1963 when it too was registered under the Indian Trade Unions Act.

The main reason for the AlOE opting for registration under the Trade Unions Act was to allow it to take up test cases before the courts and industrial tribunals. In the caseof the EFI, the motivation was to overcome the burden of income-tax on its steadily rising income and surplus.

The SCOPE, however, continues to be registered under the Societies Act.

The Constitution grants the right to organise, and so nobody including manager and officer, can be prevented from forming or joining any organisation, if he so desires. The Trade Unions Act, 1926 and the Societies Registration Act, 1860 which provide the only legal framework for the managerial and officers unions, permit the registration of unions and associations formed by any seven workers/persons. The registered trade unions are protected, civil and criminal proceedings for bona fide trade union activities, including peaceful strike and picketing. The Trade Unions Actonly provide for the right to organise, but not the right to bargain collectively, as there is no provision in the Act for the recognition of unions by the employers. Only Bombay Industrial Relations Act, 1946 which has been adopted in Rajasthan and Madhya Pradesh and is application in Maharasthra, provides for compulsory recognition of unions as bargaining agent. This is a serious lacuna in our industrial relations system, which must be removed at the earliest, if union and management relations are to be improved.

Apart from the limited protection afforded by the two enactments as mentioned above, managerial and administrative employees and other officers have no other statutory protection or benefit except what is provided by the Civil and Common Law. They have neither the job security nor the arrangement for quick recovery of their dues, which the workmen or the blue-collar workers have as provided by the Industrial Disputes Act, 1947 and the Payment of Wages Act, 1936. Most of the Indian organisations have some sort of grievance handling procedure to take care of the grievances of the workmen, but no such procedure exists for the executives or officers. Such a discriminatory treatment and the fact that revision of salaries of managerial staff has always to wait till the wages of workers are revised by collective bargaining, has compelled the former to form their own unions and agitate for improvement and security of their jobs and emoluments.

It is not that the Government has never thought about the situation of the Managerial employees. On August 30, 1978 the Janata Government introduced in the Lok Sabha Bill (No.143 of 1978), called the Employment

Security and Miscellaneous Provisions (Managerial Employees) Bill, to provide the security of employment to persons not covered by the Industrial Disputes Act, 1947. If this Bill had been enacted, it would have enabled a managerial employee to approach, Employment Security Tribunal for:

a) setting aside termination of his employment or a notice of such termination issued by his employer,
b) reliefs if the employer affected reduction in rank, salary or allowances, and
c) recovery of amounts due to him from the employer.

On behalf of the three organisations, the CIE also submits representations to the Government of India on matters involving important issues of labour policy on which a common approach is desired.

Under the Constitution of the ILO, its member countries (India is a member of the ILO since its inception in 1919) should accord recognition to the most representative organisations of unions an employers. CIE is the organisation which represents the Indian employers.

Organisation and Management of EOs in India

Membership: As in most countries in India too membership in EOs is voluntary. AlOE has two categories of members: individual (enterprise) and association (group of enterprises). EFI additionally has provision for honorary membership whereby individuals with special skill or experience, such as legal luminaries or professionalsare coopted to serve on various committees of the federation. While the predominantly private sector EOs do not bar public sector enterprises becoming members and rather welcome their entry and indeed have a few, the SCOPE remains an EO exclusively for the public sector that too mainly the public sector enterprises in the central sphere.

648 EOs were registered in 1986 under the Trade Unions Act. Of these, however, only98 submitted returns. Several more were registered under the Companies Act and the Societies Act whose number is not known. The definition of an EO under these three legal forms is much wider than the meaning assigned to EO in the ILO parlance and inclue industry associations, chambers of commerce, etc., at various levels including national, regional, state, local, etc.

In 1986, the AlOE and the EFI had 59 and 31 association members respectively; even the strength of individual members (enterprises) was low at 130 and 247 respectively. Some members in both the categories are common for the AlOE and the EFI. The representative character of the AlOE and the EFI. Even with regard to the large industry, is thus rather limited. The SCOPE, on the other hand, is the most representative organisation for the public enterprises in Central sphere (i.e., those established by the Union Government) with over 95 per cent of them being members of the SCOPE.

Organisation Structure: The AlOE has a unitary type of organisation. It has no sub- organisation on an industrial or geographical basis. Even though there are important clusters of members in Calcutta and Bombay, there has been no attempt to create local committees or offices. The EFI, however, has federal type of organisation structure with its activities distributed over a central body and the regional committees. Both the AlOE and the EFI have a governing body, executive committee and the secretariat.

The governing body is the supreme policy-making body, the executive committee is responsible for implementing the policies and objectives of the organisation and the secretariat with a permanent staff, is responsible for carrying out the decisions of the bargaining. In India this role is voluntary and at the initiative and request of the members; training and development of staff and members; safety and health at workplace and working environment; and public image and public relations.

The above list is indicative and not exhaustive. A survey of members of EOs in India (Venkata Ratnam, 1989, pp. 112-113) noted that over 70 per cent of the respondent members of EOs believe that EOs: (a) are active in disseminating information to members and making representations whenever an issue or problem arises; henceforth need to be proactive; (b) are not going as well as they should be doing in their advisory role and in providing a guidance on issues relating to collective bargaining, etc.; (c) should pay more attention to: (i) studying problems of concern to employers; (ii) improving their interaction with members, unions and government; (iii) concentrating on training workers and members; (iv) strengthening advisory services; (v) taking up projects for social and family welfare; and (d) need not participate; as before, directly in enterprise level negotiations or settlement of industrial disputes at firm level.

Relations: In the course of exercise of their functions, EOs interact with the three principal actors; i.e., *employers* (who are their members), *Government* and *unions*. Traditionally employers are individualistic in nature and competitive consideration affect their ability to confederate as a cohesive entity. Employers want individual discretion than take a collective, unified stand for a good policy. This attitude influenced their orientation towards relations with governments. Individual office bearers would like to cultivate personalised relations with government functionaries than institutionalise the interactions. The relations with unions are typically adversarial and occasional interactions but not usually founded on the realisation of the importance of a continuous dialogue and discussion to develop rapport, mutuality, trust and confidence in each other.

EOs also interact with political parties, professional organisations and the community. Relations with political parties assume significance even if EOs choose to remain avowedly a political. The presence of professional organisations make it imperative to see whether these organisations of managers are similar or dissimilar to those of employers. In today's context of large, modem corporations, the employers' dependence on professional manager had increased. Likewise the professionals and professional bodies do draw their sustenance, to an extent, from employers. The EOs also need to maintain relations with the community.

Future Challenges of EOs

Employers are not only individualistic, but also not a homogeneous class. The conflict of Swadeshi vs. Videshi in pre-independent era, the public-private debate in post- independence era, the rivalry between ASSOCHAM and FICCI, AIMO's dislike towards the big brother attitude of major chambers of commerce, the conflict among handloom, powerloom and mill sector in textile industry, the formal-informal sector divide and the like

exemplify that employers are not necessarily a homogeneous class. EOs need to governing body. There is greater continuity in the leadership of the EFI than the AlOE.

The EFI had only four presidents in over 50 years. The AlOE which used to elect a new president every two years is now electing a new president every year. The EFI constitution provides for setting special technical committees if need arises to provide special attention on any subject.

The SCOPE has two administrative organs, the Governing Council and the Executive Board besides the Secretariat with permanent staff. The Governing council lays down policy and elects office-bearers, the Executive Board oversees implementing of policies. The chief Executive of a member enterprise/organisation shall automatically be a member of the Governing Council. Additionally it has three government representatives nominated by the Director-General, Department of Public Enterprises, as ex-officio members of the Governing Council with full voting rights.

Finances: EOs are referred to as rich men's poor clubs. The EFI's balance sheet for1985-86 shoes an income of Rs.14 lakhs and that of AlOE Rs.5 lakhs approximately. Nearly half of the income of the EFI and one-fourth of the income of the AlOE are from membership subscriptions. Other incomes include interest on corpus/deposits, conferences, publications, etc. Excessive dependence on income from subscription make EOs financially vulnerable. The surest way for them to raise funds is to upgrade the quality, relevance and usefulness of services to their members and other constituents, including the community.

Representation: EOs in India play two types of roles in representing the interests of their members: One, they are called to nominate representatives of employers in voluntary or statutory bodies set up not only to determine wages and conditions of employment of workers in a particular industry/sector, but also for consultation and cooperation on social and labour matters in national and global context. Secondly, they seek to redress the grievances arising from legislative or other measures by making submissions to concerned authorities. It is difficult to recapitulate and synthesise the role played by EOs in representing the interests of employers in the ILO, various committees/institutions, bipartite and tripartite for at the national level and on various issues such as legislation, voluntary codes, social security, bonus, etc. (For an indicative analysis, see Venkata Ratnam, 1989).

Services: The real worth of an EO and the best justification for its support is the range of services that it provides to its members. Within the overall framework of the need to develop enlightened human resource management practices, the kind and range of services that an EO could provide should rest mainly on the needs of the members and their priorities as also the resources and competence within the leadership and secretariat of the EO. Some of the basic services very EO may be expected to provide the following: study and analysis of problems and dissemination of information - advice, advocacy and dispute settlement; guidance or conduct of collective reconcile the concept of a federation with the spirit of competition among their members.

EOs work may concentrate on areas where members interest converge. They need to overcome the crisis of being the rich men's poor clubs by upgrading the quality, relevance, usefulness and cost-effectiveness of their services.

They should learn to be proactive than reactive. The distinction between the reactive and proactive approaches may be described as the difference between settling disputes and taking preventive care, between raising demands and removing grievances, seeking amendments to the law and influencing the law in advance, controlling wages and providing incentive, enforcing discipline and promoting good relations.

EOs should also reflect on the emerging challenges and redefine their role in a rapidly changing scenario. For instance the spread of democracy and the transition to free market economy in most countries the world over rendered old notions of ideological class conflict less relevant today. The gradual shift towards information technology society requires reorientation in the basic philosophy of human resource management policies, technological, structural, economic and other changes which require adaption and adjustment with a "human face". These, then, are some of the new opportunities and challenges for EOs.

Evaluation of EOs

EOs have remained disparate groups, passing resolutions, airing grievances from various platforms. EOs' relations with Government have remined individualistic in nature. They were keen to have personalised relations with Government functionaries instead of presenting unified stand for the common benefit of all constituent groups. The relations with unions were also far from satisfactory. The focus was not on having an open dialogue on issues affecting the lives of both the employer and employee. Naturally, the occasional interactions between the two groups remained adversarial.

Employers were never a homogeneous class. The reasons for this conclusion are fairly obvious: the conflict between Swadeshi and Videshi in pre-independence era; thepublic and private ownership debate in post-liberalisation era, the on-going rivalry and battles between ASSOCHAM, ElMO and FICCI - all these prove the point clearly.

Unless they present a unified front, maintain cordial relations among all constituent groups and learn to address the conflicting issues head-on, it will not be possible to achieve the ends that EOs have adopted over the years. They have many dilemmas and challenges. The technological, structural, economic and social changes have altogether transformed the lives of corporation in a dramatic way, especially after the 90s. The constituent parts of EOs (their members, unions, government, public at large) must realise the futility of carrying the age-old clash-conflict ideology into the 21st century. The free market forces have hanged the rules of the game completely. Unless the EOs understand and adjust to such challenges and dilemmas (such as technological, structural, economic, social, etc.) in a smooth way, they would be falling behind.

They should learn to be proactive than reactive. The distinction between the reactive and proactive approaches may be described as the difference between settling disputes and preventive care, between raising demands and removing grievances, seeking amendments to the law and influencing the law in advance, controlling wages and providing incentives, enforcing discipline and promoting good relations.

14.18 SUMMARY

In this unit, we have covered trade unionism and Employers Associations. Formative stages and the reasons for formation of the both have been discussed. So also different forms of trade unionism like; classical, neo-classical and revolutionary have been touched upon. The objectives, functions of both trade unions and EOs are covered. Theories of trade unionism and growth and position of trade unionism in India have also been discussed.

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14.19 SELF-ASSESSMENT QUESTIONS

1) Narrate the growth of trade unions in India.
2) Write a note on the theories of trade unionism.
3) Describe the classification of trade unions citing examples.
4) Discuss the measures required to strengthen trade union movement in India.
5) Write down the differences between blue-collar and white-collar workers.
6) Discuss the growth of employers' associations.
7) Why managerial association is required? Discuss.
8) What are the EOs exist in India? Write down their objectives and functions.
9) Describe the management and organisation of EOs in India.

14.20 FURTHER READINGS

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